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Blackpool Council

15 September 2015

To: Councillors Benson, Cox, Cross, Galley, Hunter, Matthews, O'Hara, Owen and Roberts

The above members are requested to attend the:

AUDIT COMMITTEE

Thursday, 24 September 2015 at 6.00 pm
in Committee Room A, Town Hall, Blackpool

A G E N D A

1 DECLARATIONS OF INTEREST

Members are asked to declare any interests in the items under consideration and in doing so state:

(1) the type of interest concerned; and

(2) the nature of the interest concerned

If any member requires advice on declarations of interests, they are advised to contact the Head of Democratic Governance in advance of the meeting.

2 MINUTES OF THE LAST MEETING HELD ON 18 JUNE 2015 (Pages 1 - 4)

To agree the minutes of the last meeting of the Audit Committee held on 18 June 2015 as a true and correct record.

3 UPDATE ON FRAMEWORK-I PHASE 2 IMPLEMENTATION (Pages 5 - 30)

To consider the actions taken to address the recommendations of the Internal Audit report on Framework-i Phase 2 Implementation.

4 RISK SERVICES QUARTER ONE REPORT - 2015/2016 (Pages 31 - 48)

To provide a summary of the work completed by Risk Services in quarter one of the 2015/2016 financial year.

5 EXTERNAL AUDITOR'S REPORT TO THOSE CHARGED WITH GOVERNANCE (ISA 260) AND STATEMENT OF ACCOUNTS 2014-2015 (Pages 49 - 238)

To consider KPMG's Governance Report and the audited Statement of Accounts for 2014-2015.

6 STRATEGIC RISK REGISTER (Pages 239 - 250)

To consider the Council's revised Strategic Risk Register

7 COUNCIL TAX REDUCTION SCHEME - PROSECUTION POLICY (Pages 251 - 260)

To consider the policy that sets out the Council's approach with regards to sanctions and prosecutions for Council Tax Reduction fraud.

8 PUBLIC SECTOR INTERNAL AUDIT STANDARDS (Pages 261 - 264)

To consider the method by which the external assessment of the organisation's internal audit function will be undertaken at the Council.

9 DATE OF NEXT MEETING

To note the date and time of the next meeting of the Committee as Thursday, 22 October 2015, commencing at 6.00pm.

Venue information:

First floor meeting room (lift available), accessible toilets (ground floor), no-smoking building.

Other information:

For queries regarding this agenda please contact Chris Kelly, Senior Democratic Governance Adviser, Tel: 01253 477164, e-mail chris.kelly@blackpool.gov.uk

Copies of agendas and minutes of Council and committee meetings are available on the Council's website at www.blackpool.gov.uk.

MINUTES OF AUDIT COMMITTEE MEETING - THURSDAY, 18 JUNE 2015

Present:

Councillor Galley (in the Chair)

Councillors

Cox	Hunter	O'Hara	Roberts
Cross	Matthews	Owen	

In Attendance:

Neil Jack, Chief Executive
Steve Thompson, Director of Resources
Iain Leviston, Manager, KPMG
Gary Smith, Audit Manager
Chris Kelly, Senior Democratic Governance Adviser (Scrutiny)

1 DECLARATIONS OF INTEREST

There were no declarations of interest on this occasion.

2 MINUTES OF THE LAST MEETING HELD ON 5 MARCH 2015

The Committee agreed that the minutes of the Finance and Audit Committee meeting held on 5 March 2015 be signed by the Chairman as a true and correct record.

3 RISK SERVICES QUARTER 4 REPORT - 2014/2015

The Committee considered the Risk Services Quarterly Report January to March 2015.

Mr Smith highlighted the key areas of the report for the Committee, noting that the opinion of the Chief Internal Auditor was that the overall control environment of the Council was adequate. However, it was reported that the number of negative assurance statements for internal audit work completed was still significantly higher than before the spending cuts impacted on Local Government.

Mr Smith advised the Committee of the transfer of benefit fraud investigation staff to the Department for Work and Pensions and the revised structure for Risk Services following the transfer. The Committee queried whether the transfer of staff would create risk and how this would be measured in the future. Mr Thompson, Director of Resources, explained that there could be an increased level of risk as a result of the transfer and that a formal liaison between the Council and the Department of Work and Pensions would be established and the findings reported back to the Committee.

Members considered the percentage of up to date business continuity plans by department and raised concerns relating to the Children's Services and Places departments being below the expected level. The Committee was advised that Children's Services had made significant progress over the past year and Mr Jack, Chief Executive, stated that there was a commitment from the department to complete a number of the outstanding plans throughout the next reporting period. It was reported that the Places department had previously had a high percentage of business continuity plans up to date but that many of those plans had now lapsed into becoming out of date. However, it was expected that the percentage of plans updated would significantly improve over the next reporting period.

The Committee raised questions relating to emergency planning and queried the circumstances of the events of the 15 January 2015. Mr Jack recalled that the incidents had related to high winds that had resulted in Bank Hey Street and Market Street being closed due to fallen debris. It was noted by the Committee that the out of hours rota for the Emergency Planning Officer had been ceased in order to help deliver budget savings for 2015/2016, therefore there would be increased reliance on the voluntary call-out list. Members were advised that the number of volunteers on the list had increased from previous years, but that it was hoped to extend numbers further to increase resilience.

The Committee considered the internal audit reports that had been issued in the period and noted that with regards to the Local Education Partnership, the controls in place were considered inadequate. Mr Thompson advised members that projects of the partnership achieved value for money and were delivered on time and within budget. However, the controls that were considered inadequate were in relation to governance and monitoring arrangements. Members were assured that those arrangements were currently being reviewed in order to improve controls to a level considered to be adequate.
Members also considered the controls that were in place for Framework-i that were deemed to be inadequate, with a number of risks identified and improvement required. Members requested that the Director of People be requested to attend the next meeting of the Committee in order to provide an explanation for the controls in place being inadequate and a progress report detailing the improvements that were due to be made.

Questions were also raised by Members in relation to the number of internal audits that had revealed minor lapses in compliance with the controls. It was explained that in such situations the controls in place were considered adequate but that individual officers had not appropriately followed the procedures in place. Members were advised that in such circumstances, issues were highlighted to management to consider the appropriate response with regards to training.

The Committee agreed to note the Risk Services Quarterly Report for January to March 2015 and its findings.

Background papers: None.

4 AUDIT COMMITTEE SELF-EVALUATION AND TRAINING PROGRAMME

Mr Smith, Audit Manager, presented a report detailing the feedback from the self-evaluation exercise undertaken by the Finance and Audit Committee in February / March 2015 and senior officers who engaged with the Committee on a regular basis.

Members considered that the evaluation exercise had accurately identified how the Finance and Audit Committee had performed and that since the exercise had been undertaken there had already been some developments to address some of the issues raised, which included the adoption of the model CIPFA Terms of Reference for an Audit Committee. Members also considered that the Committee could raise its profile and improve accountability by producing an annual report to present to Council.

Members considered that an improvement programme should be developed and implemented in order to address areas of the Committee's work that could be strengthened throughout the year.

The Committee was also presented with the proposed Audit Committee training programme for 2015/16.

The Committee approved the Audit Committee training programme for 2015/16 and agreed to develop and implement an improvement plan.

Background papers: None

5 ANNUAL AUDIT FEE LETTER 2015/2016

Mr Thompson presented the Annual Audit Fee Letter 2015/16 that outlined the proposed audit fee of the external auditor for the current financial year.

Members were advised that the planned fee was £110,153, which was a 25 per cent reduction on the fee for the previous year. The certification of grant claims and returns had reduced by 40 per cent to £10,112, which was a reflection on the reduction in external funding available. Mr Thompson advised Members that he considered the fee to be value for money.

Members raised a number of questions and it was explained that the fees were determined by the Public Sector Audit Appointments Limited, which was an independent company established by the Local Government Association. Members were also advised that the existing contract arrangements between local authorities and external auditors had been imposed by the Audit Commission but that, following the closure of the Audit Commission, the Local Government Association was lobbying for existing contracts to be extended by up to three years.

The Committee agreed to note the external auditor's Annual Audit Fee Letter 2015/2016.

Background papers: None

6 ANNUAL GOVERNANCE STATEMENT

Mr Smith presented the Annual Governance Statement for 2014/2015, advising Members that the Council was responsible for ensuring its business was conducted in accordance with the law and proper standards, and that public money was safeguarded and properly accounted for and used economically, efficiently and effectively.

Mr Smith advised the Committee of the steps that had been taken to review effectiveness of governance arrangements in 2014/2015 and that the results of those reviews had ensured that arrangements continued to be regarded as fit for purpose in accordance with the governance framework.

Mr Smith highlighted to Members the proposed governance issues to be addressed in 2015/2016.

The Committee agreed to approve the Annual Governance Statement for 2014/2015.

Background papers: None

7 DATE OF NEXT MEETING

The Committee agreed to note the date of the next meeting as 24 September 2015, at 6.00 p.m. in the Town Hall, Blackpool.

Chairman

(The meeting ended at 6.50 pm)

Any queries regarding these minutes, please contact:
Chris Kelly, Senior Democratic Services Adviser
Tel: 01253 477164
E-mail: chris.kelly@blackpool.gov.uk

Report to:	**Audit Committee**
Relevant Officer:	Hilary Shaw, Head of Business Support and Resources
Date of Meeting	24 September 2015

UPDATE ON FRAMEWORK-I PHASE 2 IMPLEMENTATION

1.0 Purpose of the report:

1.1 To update the Audit Committee on actions taken to address the recommendations of the Internal Audit report on Framework-i Phase 2 Implementation dated 27 January 2015.

2.0 Recommendation(s):

2.1 The Audit Committee is asked to note the updates on the actions taken, and agree that all actions can now be deemed to be completed.

3.0 Reasons for recommendation(s):

3.1 All recommendations have been addressed by Adult Services and Children's Services Departments, and the Chief Internal Auditor signed off the priority 1 recommendation as completed on 25 August 2015.

3.2a Is the recommendation contrary to a plan or strategy adopted or approved by the Council? ~~Yes~~/ No

3.2b Is the recommendation in accordance with the Council's approved budget? Yes/ ~~No~~

3.3 Other alternative options to be considered:

N/A

4.0 Council Priority:

4.1 The relevant Council Priorities are:

- Tackle child poverty, raise aspirations and improve educational achievement
- Safeguard and protect the most vulnerable
- Deliver quality services through a professional, well-rewarded and motivated workforce

5.0 Background Information

5.1 In January 2015, Internal Audit issued its report on the implementation of Phase 2 of the Framework-i system. Framework-i is the case management system used by both Adult Social Care and Children's Social Care.

5.2 The report contained 11 recommendations, some of which had already been actioned by the time the final report was issued. One of the recommendations (R11) was classed as priority 1, and suggested that the rationale of commissioning decisions for children's placements, including the providers that had been considered and why one provider had been selected over another, should be recorded.

5.3 All of the actions have now been addressed and actions taken as appropriate. The Chief Internal Auditor signed off the priority 1 action as completed at the end of August 2015.

5.4 The final internal audit report can be found appended to this report. The second appendix extracts the recommendations from the audit report, and includes commentary on the actions taken for each of the recommendations.

Does the information submitted include any exempt information? ~~Yes~~/No

List of Appendices:

Appendix 3a - Internal Audit report – Framework-i Phase 2 Implementation dated 27 January 2015.
Appendix 3b - Agreed Action Plan taken from Internal Audit report, incorporating comments of actions taken.

6.0 Legal considerations:

6.1 None.

7.0 Human Resources considerations:

7.1 None.

8.0 Equalities considerations:

8.1 None.

9.0 Financial considerations:

9.1 None.

10.0 Risk management considerations:

10.1 None.

11.0 Ethical considerations:

11.1 None.

12.0 Internal/ External Consultation undertaken:

12.1 N/A

13.0 Background papers:

13.1 None.

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Internal Audit Report

Review of Framework-i Phase 2 Implementation

Audit Team: Gary Smith
Edith Thompson
Amy Robinson

Date: 27th January 2015

Blackpool Council

1. Scope

1.1 The scope of our audit was to review:

- Controls around residential care and nursing care payments to assess whether these are effectively implemented,
- Assessment and care management controls following recent changes to the processes, in particular whether the new processes are compatible and compliant with the local scheme of delegation and whether adequate approval points are built into the processes,
- Issues identified from the dual payment run undertaken as part of the Phase 2 project testing, and how these have been resolved, and
- Action taken to address relevant priority one recommendations included in the 2013/2014 internal audit review of Commissioning of Children Social Care External Placements to ensure that decisions made and evidence of authorisation are recorded on the Framework-i system.

2. Executive Summary

2.1 Controls around residential care and nursing care payments involve a number of different teams. A new process has now been put in place for setting up a new residential home supplier on Framework-i which includes a suite of forms which evidence segregation of duties. Evidence of segregation of duties for inputting annual uplifts of rates is not currently in place; however no issues have been identified during testing of individual cases.

2.2 Due to a number of migration exercises, such as migration of information from the PACS system and the ASCIT system, the audit trail for a number of authorisations cannot be seen on the system. Not all care packages that have a past review date have been reviewed. We were informed that any subsequent reviews and authorisations undertaken on the system will be evidenced on the Framework-i system going forward.

2.3 A suite of exception reports has been developed by the Systems Development and Implementation Team for monitoring purposes. A number of payment checks on residential and nursing home payments are also currently undertaken by the team during the dual payment processes. However, the responsibility for these checks following the project period is still to be assigned and agreed.

2.4 As part of this review we followed up the progress of implementation of two of the priority one recommendation from the Commissioning of Children Social Care External Placements review. For the sample of ten external placements tested, we have been able to see evidence of the external placement panel minutes. However, the rationale of the commissioning decision, including why one provider has been selected over other possible providers have not been recorded.

2.5 The detailed findings and recommendations are included in sections four and five of this report.

2.6 We would like to thank Sara Coombs, Marianne Lister, Kristen Hardy, Julie McGowan, Jill Farrar and Lynsey Garnett for their assistance and courtesy throughout the review.

3. Overall Opinion and Assurance Statement

3.1 We consider that the controls in place are currently inadequate, with a number of risks identified and improvement required. This is partially a reflection of the timing of this review given that a number of current cases examined were administrated under historic processes and the plan for clearing the backlog of case reviews is still in progress. A number of processes are in place that help to mitigate some of the risks identified.

3.2 Our testing revealed some lapses in compliance with the controls.

4. Issues Arising

4.1 Introduction and background

4.1.1 The Framework-i system was implemented within Adult Social Care in March 2012, replacing the previous ASCIT database. The Council is currently undertaking Phase 2 of the project which involves the implementation of provider payments, Charging for Residential Accommodation Guide (CRAG) and Fairer Charging financial assessment, client billing, contract management and required interfaces to corporate financial systems. A project group has been ongoing for a number of years with a wide representation from across the Council to monitor the implementation of the project.

4.1.2 A number of interfaces and functions have now been implemented in Phase 2 of the Framework-i project. This review considers the controls that are now in place for residential care and nursing care payments, issues identified from dual payment runs, and changes to the Assessment and Care Management controls. We also followed up the progress of two priority one recommendations made within a previous audit report, the Commissioning of Children's Social Care External Placements, as part of this review.

4.1.3 The changes to the Assessment and Care Management controls apply to residential care placements as well as non-residential care placements. The current controls around Residential and Nursing Home payments are different in the following ways:

- Residential and nursing home placements are reviewed at the Quality Monitoring Group. This Group is not part of the approval process for placements; however recommendations can be made by this group if control weaknesses are found.
- Payments to residential and nursing homes are made on a four weekly payment schedule via the Framework-i system and interface with the Council's Cedar system. These payments were previously made via the PACS system. Dual payment runs were undertaken for periods 4 and 5 prior to payment runs being made on Framework-i only from Period 6 of this financial year.
- Non-residential payments are still largely made via payment of invoices submitted by providers directly through the Cedar system.
- The local scheme of delegation differs between non-residential care packages and residential and nursing home payments. Financial authorisations cannot be made by Team Managers or Senior Practitioners for residential and nursing home placements as all residential placements are over £342.23 per week which is the standard rate, whereas levels of authorisation for lower financial values have been granted to these posts for non-residential care packages.

4.2 Residential and Nursing Home payments

4.2.1 A number of processes are in place in relation to residential and nursing home payment controls. This includes setting up a care home on the Framework-i system, purchasing a care package, financial authorisation, preparation of payment schedules and payment. High level flowcharts documenting the process can be seen in **Appendix 1** and **Appendix 2** to this report.

4.2.2 Social Care teams, the Commissioning Team and the Systems Development and Implementation Team are all involved in setting up a care home on the Framework-i system. Social workers complete a form to request a new home to be set up. We understand that there is a degree of service user choice in the selection of care homes, although if the rates are higher than standard or higher residential rates, discussion must first be held with line managers following the assessment.

4.2.3 The Commissioning Team then arranges a contract with the care home, and completes a form for the Systems Development and Implementation Team with pertinent details such as the agreed rates with the homes. The Systems Development and Implementation Team utilises the Admin Access Tool to set up the home within the Framework-i system with details on the form. We were informed that two people are involved in the process of creating a supplier, and officers evidence the segregation of duties by initialling the forms. The Framework-i system does not enforce segregation of duties for inputting rates for new homes, and does not maintain an audit trail to evidence segregation of duties.

4.2.4 We selected a sample of twenty residential and nursing home payments from a Cedar report provided by Transactional Services. These were then matched to the appropriate payment schedule provided by the Social Care Benefits Team to select the appropriate Framework-i case for review. Sixteen residential homes were identified in the twenty cases selected.

4.2.5 Of the sixteen residential homes selected, set-up forms were provided for four homes. We were informed that the set-up forms had only been in place for approximately twelve months, whereas some homes had been on the system for a number of years. An exercise was undertaken by the Systems Development and Implementation Team at the time of implementation of the Framework-i system in 2012, to migrate information to the new Framework-i system. We recommend that consideration is given to undertaking a one-off exercise to produce a report of homes and agreed rates which should be reviewed by Adult Social Care and the Commissioning Team to ensure that the information is correct and appropriate contract arrangements are in place (Recommendation 1).

4.2.6 Payment rates on the system are updated annually following a review. The system does not enforce segregation of duties for updating rates, and does not maintain an audit trail to evidence segregation of duties. This presents a risk that inappropriate rates could be used however there are mitigating checks outside of Framework-i. The schedules are manually marked as checked but not signed and dated as checked and reviewed. We recommend that consideration is given to enforcing segregation of duties within the system for inputting and updating payment rates (Recommendation 2).

4.2.7 As part of this review we checked the weekly support fee rates for the twenty residential placements selected for testing to the annual uplift schedule supplied to the Systems Development and Implementation Team by the Commissioning Team. We also agreed the rates to a schedule of homes and bandings supplied by the Commissioning Team. The rates to be applied are determined by the level of service user need as well as the banding of the residential home. No issues were found through this testing and all rates were found to be appropriate.

4.2.8 We also requested individual customer agreements from the Commissioning Team to agree to payment rates included on the schedules above. However, both the Commissioning Team and the Social Care Benefits Team confirmed that although the authority chases providers for signed agreements, only a few providers return signed agreements. There is a risk that should the home not provide the agreed service, a signed contract is not in place to support the authority to take action to recoup monies or to take legal action if required. We recommend that consideration is given to putting a clause on the individual service user agreements with providers that payments will only commence following returns of signed agreements, to encourage the return of signed agreements by providers (Recommendation 3).

4.2.9 It is possible to set up the same home twice on the system. This is because the Framework-i system will allocate a new reference to a new home rather than flagging a potential duplicate. We are informed that checks take place to search for a supplier prior to input. It is also necessary to allow the same home to be set up more than once on the system, as some organisations have a range of different home locations but payment should be made to one bank account. The Systems Development and Implementation Team have now added an exception report to identify providers with the same creditor number on the Framework-i system for future monitoring. We have made a recommendation later in this report regarding the undertaking of payment checks, including the use of exception reports.

4.2.10 In order to purchase a package, the assessment and care plan needs to be completed by a social worker and reviewed and authorised by their line manager. This is now part of the workflow on Framework-i. The workflow on the Framework-i system then allows the social worker to allocate the case to the Quality Monitoring Group (QMG) authorisation function to input information from panel meetings onto Framework-i. An officer within the Social Care Purchasing Unit (SCPU) attends the QMG panel and details from the QMG panel meetings are input on the Framework-i system by SCPU when appropriate.

4.2.11 All residential packages should be reviewed by the QMG. The QMG meets weekly and reviews evidenced based decisions in relation to all residential and nursing admissions. A full assessment must be completed, recorded in Framework-i and submitted within two weeks of the initial residential admission for review by the QMG. The only residential cases which do not need to be reviewed by the QMG would be if the service user has already been reviewed by the QMG previously, then moved to a different home but the rate remained the same.

4.2.12 Cases can be approved, deferred or rejected by the QMG. Where cases are deferred, additional work or evidence may be requested from the Social Worker to be re-presented at the next meeting. Approved cases will progress through the Framework-i system creating an audit trail for verification of authorisation by the Service Manager.

4.2.13 The Business Manager within Adult Social Care explained that although all residential placements should be reviewed by the QMG, the task on the Framework-i system itself is designed for administrative purposes only and is not mandatory. Furthermore, the system currently does not enforce a step within the workflow for QMG review within the Framework-i system because only residential placements need to go through this step. Adult Social Care is currently reviewing the process and is in a pilot, asking social workers not to add the QMG task but moving the responsibility to Team Managers or Senior Practitioners when they are authorising the assessment and care plan to clearly indicate that the case is ready to be presented at the QMG. We recommend that consideration is given to producing an exception report for residential placements without QMG review after a period of time to enable monitoring (Recommendation 4).

4.2.14 Details are noted by the member of staff within SCPU and currently input onto a QMG spreadsheet. However, the meetings are not formally minuted, and the service is currently considering ceasing to use the external spreadsheet as it contains the same information as that input onto the Framework-i system. A formal record of decisions made at meetings may be beneficial as the minutes could be ratified for accuracy at the next meeting. There is currently a risk that an adequate audit trail is not in place for the review outcomes. We recommend that consideration is given to the best way to record outcomes from the QMG (Recommendation 5).

4.2.15 Capacity issues within the Framework-i system also means that staff are not encouraged to upload too many documents onto the Framework-i system. This means that uploading documents such as panel minutes onto the system may cause system issues. There is a risk that evidence of decisions is not appropriately retained, however, decisions are recorded on individual service user case-notes on Framework-i at the panel meetings. These meetings are not minuted and so the case-note is the key record of the decision. It would be possible to verify that the decision was input to the case-notes at the relevant meeting by reference to the user details and the time and date of entry.

4.2.16 We understand that the QMG on occasion approves rates that are not agreed as standard by the Commissioning Team. In this case, the Systems Development and Implementation Team need to set up a bespoke rate and a bespoke element is then added onto the case. It was explained that if a service user wishes to move out of the area, for example if they wish to move to be nearer to family members, this must be approved by the QMG. Adult Social Care allow service users the freedom of choice to choose a home they wish to live in, if it is out of area and the rate is higher than the local authority rate for that area will be paid. For any additional services, such as a premium for a superior room, Adult Social Care would expect a third party to pay any top up required.

4.3 Changes to Assessment and Care Management Controls

4.3.1 In April 2014, following consultation with system users, changes have been made to assessment and care management controls to cut down delays in the authorisation processes. Instead of requiring two separate authorisations within the Framework-i workflow for the assessment of care needs and the review of a care plan, the system now requires one authorisation following the assessment and care plan processes. The changes apply to residential placements and non-residential placements.

4.3.2 Assessment and care plans can be authorised by the line manager of the social worker who has produced the plan. As part of this review we selected a sample of twenty cases from a report provided by the Business Intelligence Team of authorisations made on the system from April 2012. In all cases, assessment and care plans had been authorised by an appropriate person.

4.3.3 The Business Managers within Adult Social Care confirmed that the change had a positive result in reducing delays within the authorisation processes. One potential drawback is that if the assessment does not pass the Assessment and Care Management review, the care plan also needs to be completed again. Management information in relation to the number of care plans that have had to be completed again has not been formally monitored, however both Business Managers observed that the process is now quicker.

4.3.4 Formal training has not been rolled out specifically in relation to the changes for the Assessment and Care Management controls. We understand that social workers have been consulted as system users as part of the process to determine changes. Process flowcharts are in place for the processes to authorise care packages.

4.3.5 A review date should be set for all cases in accordance with policy. As part of our review we checked whether there was a review date set on Framework-i for the twenty residential care packages selected and the twenty recently authorised cases selected. For residential placements, a future review date was set on Framework-i for only eight of the twenty cases. Case assessment was still in progress for four cases. For the remaining eight cases the review date has now been exceeded.

4.3.6 The Business Manager explained that as yet not all old cases have been reviewed. For the sample of care packages where authorisations have occurred since April 2014, a future review date had been set for sixteen of the twenty cases reviewed. In four instances the review date noted was in the past. There is a risk that service users are receiving care that is no longer appropriate, and that the Council continue to pay for services that are no longer required. We recommend that the service produces an action plan to ensure that all care packages are reviewed in a timely manner (Recommendation 6).

4.3.7 Care packages should cease where the client has died. We understand that social workers can input a death date onto the Framework-i system when they have been notified. The Social Care Benefits Team receives death notifications from Registrars via the Council Tax Team once a week which are emailed to the SCBT inbox. For non-residential cases, the death date / date ceased on Framework-i will stop bills from going out and a final bill will be sent. For residential cases, SCBT will close the case on Framework-i to stop any further payments to the care home. An email is sent to Adult Social Care in all cases. This exercise is undertaken on a weekly basis. In addition:

- The Quality Assurance (QA) Administrator checks the 'Tell us once' DWP system three times a week to check for service users who have died and then records the date of death on the Framework-i system. The Administrator then either notifies the social worker or completes the case closure where the case is not allocated.
- Adult Social Care receive a weekly report that informs where a date of death has been added but the case has not been closed and the Administrator would either close the case if it is unallocated, or ask the allocated Social Worker to do this.

- The Quality Assurance Administrator also receives a list from Council Tax Team with dates of death which is checked against the Framework-i system weekly, and either closes the case or informs the social worker.
- The Social Care Purchasing Unit also receives a daily report where a date of death has been added but the residential care stay has not been ended which SCPU then ends.

4.4 **Financial authorisations and the scheme of delegation**

4.4.1 For Adult Social Care packages, financial authorisation on the Framework-i system is pre-set according to the local scheme of delegation. The levels of delegation are outlined below:

- Level 1 – Assistant Chief Executive (DASS) or Head of Care and Support acting on behalf of the Assistant Chief Executive (able to commission packages up to £200,000 annually, or £3,836 weekly),
- Level 2 – Head of Adult Social Care (able to commission packages up to £100,000 annually, or £1,918 weekly),
- Level 3 – Service Manager (able to commission packages up to £50,000 annually or £959 weekly),
- Level 4 – Team Manager (able to commission non-residential or nursing packages up to £15,000 annually or £288 weekly),
- Level 5 – Senior Practitioner (able to commission non-residential or nursing packages up to £10,000 annually or £198 weekly).

4.4.2 The local scheme of delegation is in accordance with the currently Corporate Scheme of Delegation (updated 2011) in principle. The Corporate Scheme of Delegation states that:

- Assistant Directors of the former Children, Adult and Family Services can commission placements / care packages up to £100,000 gross per annum.
- The Director of the former Children, Adult and Family Services can commission placements / care packages up to £200,000 gross per annum.
- Placements / packages of care over £250,000 per annum are not delegated and has to be approved by the Executive.

4.4.3 The departmental structure of the Council has changed, however the principle of the amounts that can be commissioned by senior officers are still met. The Corporate Scheme of Delegation is currently being updated, but not yet approved and finalised. We recommend that once the new Corporate Scheme of Delegation is issued, the local scheme of delegation should be reviewed to ensure that it aligns with the new corporate scheme of delegation (Recommendation 7).

4.4.4 The local scheme of delegation is based on established posts in the staffing structure rather than named individuals. The scheme is only changed following a restructure. We were informed that any changes to the scheme would be cascaded down by the Adult Social Care Management team through to individual team meetings.

4.4.5 The financial authorisation levels of care packages on Framework-i for Adult Social Care is based on the local scheme of delegation, but details of staffing within those posts are required in order to facilitate this.

4.4.6 We understand that to arrange Framework-i access or for any change in team and access permissions, the Systems Development and Implementation Team require an email from the line manager or other agreed person. This is normally undertaken at the same time as the request that is made to ICT Services for an NT login. When the user is set up, the Systems Development and Implementation Team will email the requestor confirming that this has been done. The username and password will be emailed directly to the user once ICT have set up an email address for them.

4.4.7 Financial authorisations for packages were tested for a sample of twenty cases selected where an authorisation has been undertaken on Framework-i since April 2014. We were only able to see authorisation information on the system for fifteen of the twenty cases. Three of the cases were migrated from the old system ASCIT. The Business Manager explained that these cases have not been reviewed. We have already made a recommendation in this report in relation to the review of cases.

4.4.8 A further two cases were shown to be authorised by 'Systems Lo'. We understand that at one point within the project, a decision was made to record care packages not as personal budget but as standard care packages. In order to show the correct position of care packages on the Framework-i system, a number of officers, such as the Business Managers, were given permission to action an authorising step needed to re-authorise care packages that have previously been authorised. Internal Audit advised that this was acceptable as the packages had already been authorised previously, as long as an audit trail is kept referencing back to the original authorisation. The Business Manager for Adult Social Care explained that although this cannot be viewed on Framework-i, the authorisation can be viewed by the Systems Development and Implementation Team as this is stored in a data warehouse.

4.4.9 Financial authorisations for packages were also tested for the sample of residential care packages selected. It was not possible to see authorisations for four of the twenty cases selected due to an issue with the migration of PACS data in July 2014. We were informed that due to issues identified on the dual payment runs where social workers input information on only one of the systems (PACS or Framework-i), a business decision was taken to use PACS as the master copy of information to be migrated onto Framework-i to resolve this issue. As the PACS system did not record authorisations, some of this information can no longer be seen on the system. There is a risk that the audit trail for authorisations for existing cases is lost. However this is not an issue for new cases and there are some mitigating controls in terms of sense checks of payments. We recommend that the Systems Development and Implementation Team put in place arrangements to resolve issues with some authorisations not appearing on the Framework-i system where possible, and ensure that information is accessible for future cases (Recommendation 8).

4.4.10 Although cases migrated from the PACS system no longer show authorisation information, any new residential services or changes in services would show an authorisation as these would have been undertaken on the Framework-i system. For the remaining cases where a trail for authorisations can be seen on Framework-i, we have assessed the financial authorisations as appropriate.

4.5 Payment processes for residential and nursing home placements

4.5.1 Four-weekly payment schedules are in place for the payment of residential and nursing home placements. SCBT undertake a process on the Framework-i system to prepare the required payment files for interface with Cedar. Transactional Services is then responsible for undertaking a process on the Framework-i system to prepare the batch for payment on the Cedar system.

4.5.2 Current checks that are undertaken by the Social Care Benefits Team are the same as those undertaken with the former PACS system when it was being used. A reasonableness check is undertaken of the total amount for the batch, approximately £1 million in value, before the schedule is prepared for payment. The Systems and Development Team is currently undertaking payment checks as part of the implementation phase and has developed a suite of exception reports for future monitoring. However the responsibility for the checks, as part of business as usual following the implementation phase, is yet to be agreed and allocated. However we understand that that this issue is being progressed as part of the Framework-i Finance Working Group which should ensure that there is no gap in checking between the implementation phase and business as usual. We recommend that this responsibility is agreed and allocated at the Framework-i Finance Working Group as planned (Recommendation 9).

4.5.3 As part of testing, dual payment runs were carried out on PACS and Framework-i. We have reviewed the spreadsheet outlining the mismatches identified and work undertaken to identify the problem and remedial action taken. The exercise identified 62 mismatches out of approximately 1,000 payments. An explanation column within the spreadsheet sets out the reason for the error. Where it was determined that the correct information was in PACS, the Framework-i system was updated accordingly so that when the payment cycle was run in live, the figures matched across both systems. There were some records where the Systems Development and Implementation Team had to enter a one off amount to correct the error. The one-off payments totalled £5,824.39.

4.5.4 Explanations for mismatches included on the spreadsheet include the following:

- Information input on either the PACS system or the Framework-i system only
- A client was placed in one home on the PACS system but another on the Framework-i system
- Client contribution / death allowance / placement was incorrectly input on one of the systems
- Different rates were used between the PACS system and the Framework-i system
- Start dates and end dates of stay has been input incorrectly on one of the systems
- Marginal differences due to calculation of rounding
- Payment for the wrong person had been made on the PACS system

4.5.5 Where it was determined that the correct information was in Framework-i, no changes were made to the Framework-i system. If neither system was correct, the Systems and Development Team calculated the correct amount and amended the Framework-i system accordingly.

4.5.6 A business decision was taken for the Framework-i system to be used as the live payment system from Period 6 of the 2014 financial year onwards. Instead of dual payment runs, a test payment run had been undertaken on Framework-i only for Period 6 and Period 7 one day before the live payment run to identify any issues. The Systems Development and Implementation Team and the Social Care Benefits Team will then spend one day making adjustments prior to the live payment run, and notifying providers in advance of any issues anticipated. We were informed that adjustments will be made for the following pay period rather than the immediate pay period on most occasions.

4.5.7 Payment schedules are emailed to all providers where an email address has been provided. We understand that for a small number of homes where an email address is not used, this information is posted to them. A remittance advice from the Cedar system is also available to homes with an email address but not available to the small number of homes that do not use one. Our review of the Framework-i project group minutes confirmed that this issue is being discussed and considered.

4.6 **Payment processes for non-residential care packages**

4.6.1 Payment for the majority of non-residential care packages are made through payment of invoices from providers through the Cedar system (CGE). As part of the review we selected a sample of twenty invoices and checked that appropriate authorisation for payment had been obtained. No issues were found in relation to authorisation of the invoices tested. However, we noted that in some circumstances the Framework-i references are not noted on invoices or the Cedar system. Although details such as client surnames and supplier are available, there are instances where we were not able to link to a specific user on Framework-i due to the high number of clients with the same surnames. However, an exercise for payments via e-invoicing is currently being explored.

4.7 Follow up – Priority 1 recommendation – External Placements

4.7.1 As part of this review we followed up two priority 1 recommendations from the Commissioning of External Placements internal audit review we undertook last year. The Head of Children's Social Care has provided an update on the implementation of the recommendations.

4.7.2 One recommendation was that an audit trail should be kept which clearly evidences the rationale of commissioning decisions for all placements to allow suitable challenge where appropriate. The Head of Children's Social Care explained that decisions are made by the Heads of Service, and recorded either via email or through the external panel which is minuted and recorded on Framework-i.

4.7.3 The second recommendation was that the service should continue to review cases to ensure that all external placements are suitable and to ensure that evidence of authorisation is stored on the Framework-i system. The Head of Children's Social Care explained that all cases are reviewed at the external placement panel.

4.7.4 As part of this review we selected a sample of ten external placements to test. For all ten external placements, we have been able to see either an email authorisation or external placement panel minutes on the Framework-i system. We have identified however that four of the ten placements were put in place prior to the external placement panel minutes. We recommend that consideration is given to documenting circumstances where it is necessary for approval to be given retrospectively (Recommendation 10).

4.7.5 Although the external placement minutes detail why the placement is needed, the choice of provider is usually already selected prior to this stage. The rationale of the options of provider that were considered and why the final provider was selected are not noted on panel minutes. We were informed by the Service Manager for Administration from Children's Social Care that the Commissioning Team maintains a record of this.

4.7.6 However, the Commissioning Team have confirmed that the justification around the process of the decision is not made by the Commissioning Team, and is not recorded by the Commissioning Team as it is a care management task.

4.7.7 The Commissioning Team has provided a number of emails supporting contact with Children's Social Care to resolve this issue, proposing functionality within the Framework-i system to note the rationale for commissioning decisions is added onto the Framework-i system. However as the recommendation is not within their remit this was not something that had been addressed by the Commissioning Team. We recommend that the rationale of commissioning decisions, including why one provider is selected over another, should be recorded by whoever made the decision (Recommendation 11).

5. Agreed Action Plan

	Recommendation	*Priority*	*Agreed Action*	*Responsible officer*	*Target Date*
R1	Consideration should be given to undertaking a one off exercise to produce a report of homes and agreed rates which should be reviewed by the Adult Social Care and the Commissioning Team to ensure that the information is correct and appropriate contract arrangements are in place.	3	This has now been considered by the Deputy Director of People (Adult Services), the Head of Business Support and Resources and the Systems Development and Implementation Manager. This is low risk and the sense checks applied to payment runs should pick up any material issues. Hence no further action proposed.	N/a	Completed

Key to Priorities

Priority 1	A recommendation we view as essential to address a high risk
Priority 2	A recommendation we view as necessary to address a moderate risk.
Priority 3	A recommendation that, in our opinion, represents best practice or addresses a low level of risk.

	Recommendation	*Priority*	*Agreed Action*	*Responsible officer*	*Target Date*
R2	**Consideration should be given to enforcing segregation of duties within the system for inputting and updating payment rates onto the Framework-i system.**	**2**	**This has now been considered by the Deputy Director of People (Adult Services), the Head of Business Support and Resources and the Systems Development and Implementation Manager. While it would be ideal, the functionality of Framework-i does not allow enforcement of segregation of duties for updating of payment rates. There are processes external to Framework-i whereby rates are checked.**	**N/a**	**Completed**
R3	**Consideration should be given to putting a clause on the individual service user agreements that payments will only commence following returns of signed agreement, to encourage the return of signed agreements by providers.**	**2**	**Head of Business Support and Resources to discuss with the Head of Commissioning. A form of words will be agreed in the contract or service user agreement that introduces the possibility of payments being suspended if agreements are not returned.**	**Head of Business Support and Resources**	**1/4/15**

Key to Priorities

Priority 1	A recommendation we view as essential to address a high risk
Priority 2	A recommendation we view as necessary to address a moderate risk.
Priority 3	A recommendation that, in our opinion, represents best practice or addresses a low level of risk.

	Recommendation	*Priority*	*Agreed Action*	*Responsible officer*	*Target Date*
R4	**Consideration should be given to producing an exception report for residential placements without QMG authorisation after a period of time.**	**3**	**Agreed.**	**Head of Business Support and Resources**	**1/4/15**
R5	**Consideration should be given to the best way to record outcomes from the QMG.**	**2**	**Agreed. The QMG outcomes should be being recorded on individual service user records. Head of Business Support and Resources to consider a process to check that this is happening.**	**Head of Business Support and Resources**	**1/4/15**
R6	**The service should put in place a plan to ensure that all care packages are reviewed in a timely manner.**	**2**	**This is a service management priority and the Head of Adult Social Care has a plan in place to deliver this.**	**N/a**	**Completed**
R7	**The local scheme of delegation should be reviewed once the revised corporate scheme of delegation is approved and issued.**	**2**	**Agreed.**	**Head of Business Support and Resources**	**Within three months of publication of updates to the Corporate Scheme of Delegation.**

Key to Priorities

Priority 1	A recommendation we view as essential to address a high risk
Priority 2	A recommendation we view as necessary to address a moderate risk.
Priority 3	A recommendation that, in our opinion, represents best practice or addresses a low level of risk.

Recommendation		*Priority*	*Agreed Action*	*Responsible officer*	*Target Date*
R8	**The Systems Development and Implementation Team should put in place arrangements to resolve issues with information on authorisations not appearing on the Framework-i system where possible and ensure that information is accessible for future cases.**	**2**	**This has now been considered by the Deputy Director of People (Adult Services), the Head of Business Support and Resources and the Systems Development and Implementation Manager and there is no practical way of achieving this. Current and future new cases and changes to cases are going through Framework-i meaning the number of historic authorisations that are not evidenced is reducing. Given that no issues were found with regard to Framework-i authorisations, the level of risk is acceptable.**	**N/a**	**N/a**

Key to Priorities

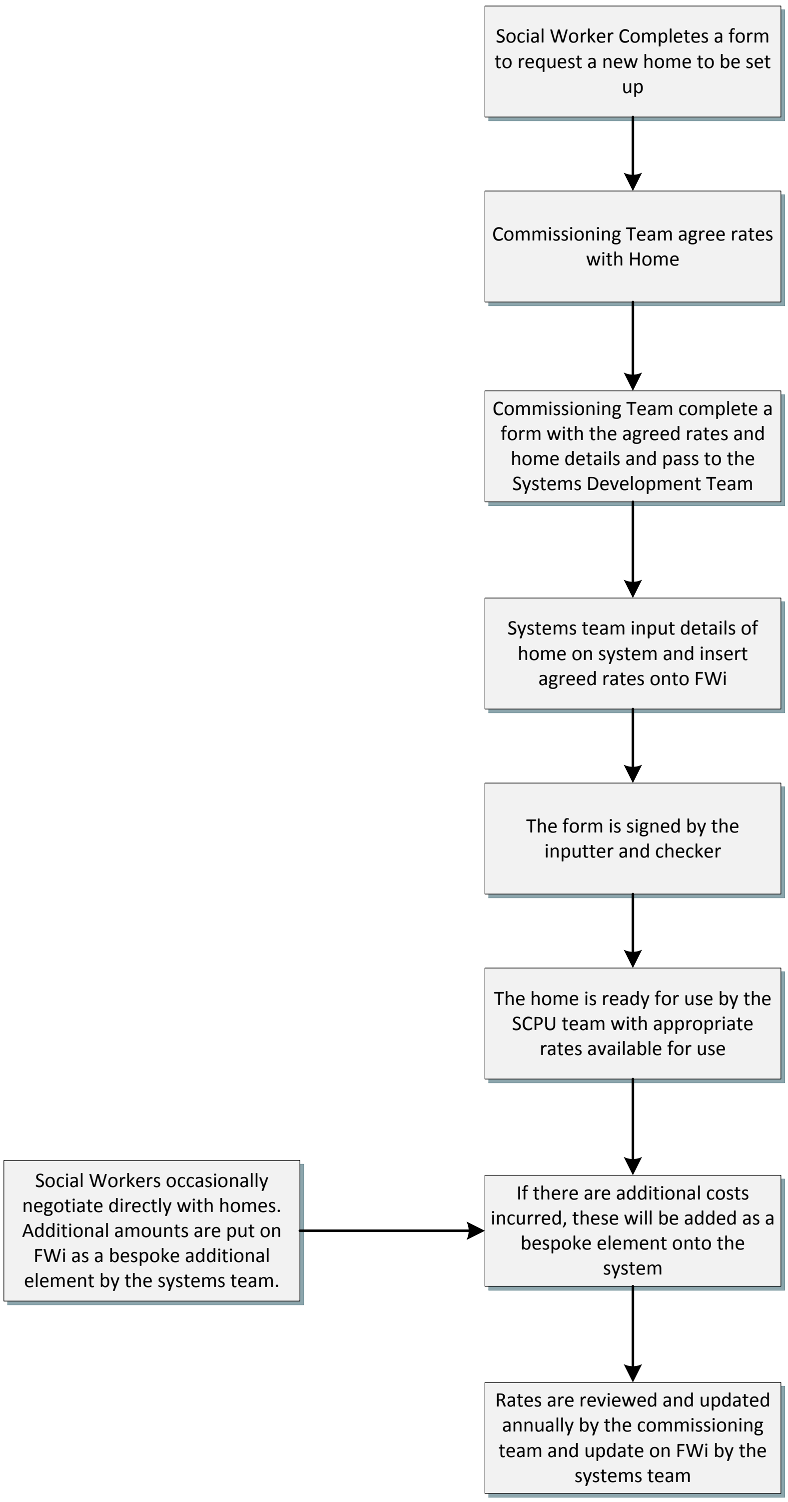
Priority 1	A recommendation we view as essential to address a high risk
Priority 2	A recommendation we view as necessary to address a moderate risk.
Priority 3	A recommendation that, in our opinion, represents best practice or addresses a low level of risk.

Recommendation		*Priority*	*Agreed Action*	*Responsible officer*	*Target Date*
R9	**Responsibility for undertaking quality checks post implementation phase for residential and nursing home payments should be agreed and allocated at a future Framework-i Finance Working Group meeting as planned.**	**2**	**Agreed.**	**Head of Business Support and Resources / Framework-i Finance Working Group**	**1/4/15**
R10	**Consideration should be given to documenting where it is necessary for retrospective approval to be provided by panel for external placements.**	**2**	**Agreed. To be taken to People's (Children's Services) Senior Management Team for further consideration.**	**Head of Business Support and Resources**	**1/4/15**
R11	**The rationale of commissioning decisions, including the providers that had been considered and why one provider had been selected over another, should be recorded.**	**1**	**Agreed. To be taken to People's (Children's Services) Senior Management Team for further consideration.**	**Head of Business Support and Resources**	**1/4/15**

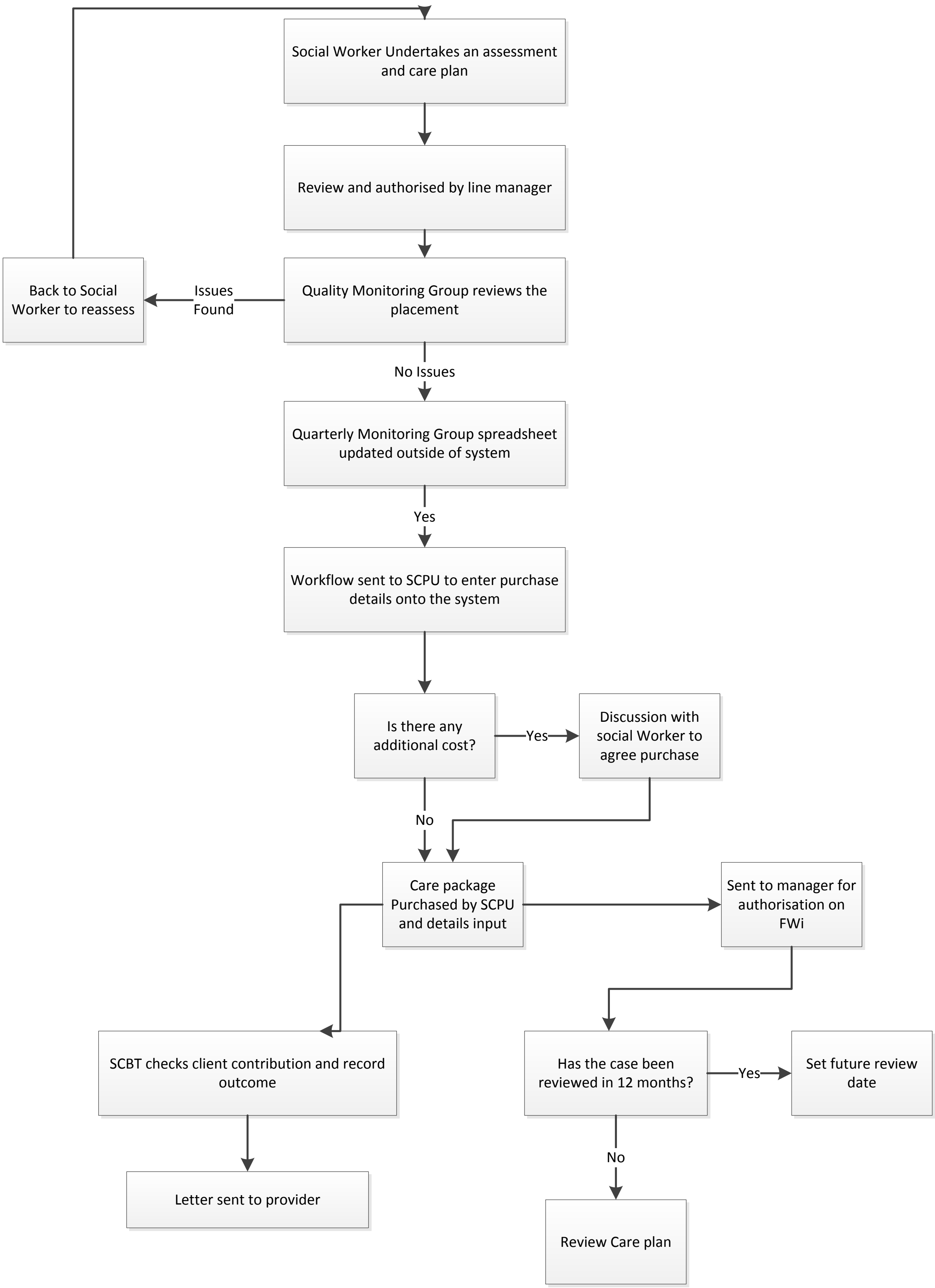
Key to Priorities

Priority 1	A recommendation we view as essential to address a high risk
Priority 2	A recommendation we view as necessary to address a moderate risk.
Priority 3	A recommendation that, in our opinion, represents best practice or addresses a low level of risk.

Frameworki Phase 2	Setting up a Care Home on FWi	Appendix 1



Frameworki Phase 2	Setting up a Care Package Residential / Nursing Care	Appendix 2



Appendix3b - Agreed Action Plan

	Recommendation	*Priority*	*Agreed Action*	*Responsible officer*	*Target Date*	*Audit Committee update September 2015*
R1	Consideration should be given to undertaking a one off exercise to produce a report of homes and agreed rates which should be reviewed by the Adult Social Care and the Commissioning Team to ensure that the information is correct and appropriate contract arrangements are in place.	3	This has now been considered by the Deputy Director of People (Adult Services), the Head of Business Support and Resources and the Systems Development and Implementation Manager. This is low risk and the sense checks applied to payment runs should pick up any material issues. Hence no further action proposed.	N/a	Completed	Completed
R2	Consideration should be given to enforcing segregation of duties within the system for inputting and updating payment rates onto the Framework-i system.	2	This has now been considered by the Deputy Director of People (Adult Services), the Head of Business Support and Resources and the Systems Development and Implementation Manager. While it would be ideal, the functionality of Framework-i does not allow enforcement of segregation of duties for updating of payment rates. There are processes external to Framework-i whereby rates are checked.	N/a	Completed	Completed
R3	Consideration should be given to putting a clause on the individual service user agreements that payments will only commence following returns of signed agreement, to encourage the return of signed agreements by providers.	2	Head of Business Support and Resources to discuss with the Head of Commissioning. A form of words will be agreed in the contract or service user agreement that introduces the possibility of payments being suspended if agreements are not returned.	Head of Business Support and Resources	1/4/15	Consideration given, however this would be impractical to enforce and potentially disruptive to the stability of placements

	Recommendation	Priority	Agreed Action	Responsible officer	Target Date	Audit Committee update September 2015
R4	Consideration should be given to producing an exception report for residential placements without QMG authorisation after a period of time.	3	Agreed.	Head of Business Support and Resources	1/4/15	Not possible with current business processes, however no placements are approved on Framework-i unless they have been through QMG.
R5	Consideration should be given to the best way to record outcomes from the QMG.	2	Agreed. The QMG outcomes should be being recorded on individual service user records. Head of Business Support and Resources to consider a process to check that this is happening.	Head of Business Support and Resources	1/4/15	Completed. Outcomes are now being recorded on individual service user records at the Quality Monitoring Group meetings
R6	The service should put in place a plan to ensure that all care packages are reviewed in a timely manner.	2	This is a service management priority and the Head of Adult Social Care has a plan in place to deliver this.	N/a	Completed	Completed
R7	The local scheme of delegation should be reviewed once the revised corporate scheme of delegation is approved and issued.	2	Agreed.	Head of Business Support and Resources	Within three months of publication of updates to the Corporate Scheme of Delegation.	Completed. The local scheme of delegation has been reviewed, and is in line with the Corporate Scheme of Delegation that was issued in April 2015.
R8	The Systems Development and Implementation Team should put in place arrangements to resolve issues with information on authorisations not appearing on the Framework-i system where possible and ensure that information is accessible for future cases.	2	This has now been considered by the Deputy Director of People (Adult Services), the Head of Business Support and Resources and the Systems Development and Implementation Manager and there is no practical way of achieving this. Current and future new cases and changes to cases are going through Framework-i	N/a	N/a	No action required

	Recommendation	*Priority*	*Agreed Action*	*Responsible officer*	*Target Date*	*Audit Committee update September 2015*
			meaning the number of historic authorisations that are not evidenced is reducing. Given that no issues were found with regard to Framework-i authorisations, the level of risk is acceptable.			
R9	Responsibility for undertaking quality checks post implementation phase for residential and nursing home payments should be agreed and allocated at a future Framework-i Finance Working Group meeting as planned.	2	Agreed.	Head of Business Support and Resources / Framework-i Finance Working Group	1/4/15	Completed. List of checks developed and agreed at the Frameworki Finance Working Group in March 2015
R10	Consideration should be given to documenting where it is necessary for retrospective approval to be provided by panel for external placements.	2	Agreed. To be taken to People's (Children's Services) Senior Management Team for further consideration.	Head of Business Support and Resources	1/4/15	Completed. The template for the meeting actions and decisions of the Independent Placement Overview Panel has been amended to incorporate reasons and circumstances for retrospective approval
R11	The rationale of commissioning decisions, including the providers that had been considered and why one provider had been selected over another, should be recorded.	1	Agreed. To be taken to People's (Children's Services) Senior Management Team for further consideration.	Head of Business Support and Resources	1/4/15	Completed. The template report for Independent Placement Overview Panel has been amended to incorporate reasons for choice of provider / other provider options considered, and what alternatives to external placements have been explored

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Report to:	AUDIT COMMITTEE
Relevant Officer:	Tracy Greenhalgh- Chief Internal Auditor
Date of Meeting	24th September 2015

RISK SERVICES QUARTER ONE REPORT - 2015/2016

1.0 Purpose of the report:

1.1 To provide to the Audit Committee with a summary of the work completed by Risk Services in quarter one of the 2015/2016 financial year.

2.0 Recommendation(s):

2.1 To note the findings from the Risk Services Quarterly report.

3.0 Reasons for recommendation(s):

3.1 The report covers areas relevant to the work of the Committee in terms of internal audit, corporate fraud, risk and resilience.

3.2a Is the recommendation contrary to a plan or strategy adopted or approved by the Council? — No

3.2b Is the recommendation in accordance with the Council's approved budget? — Yes

3.3 Other alternative options to be considered:

N/a

4.0 Council Priority:

4.1 The relevant Council Priorities are:

- Safeguard and protect the most vulnerable
- Create safer communities and reduce crime and anti-social behaviour
- Deliver quality services through a professional, well-rewarded and motivated workforce

5.0 Background Information

5.1 Each quarter the Chief Internal Auditor produces a report summarising the work of Risk Services and this includes the overall assurance statements for all audit reviews completed in the quarter.

Does the information submitted include any exempt information? No

List of Appendices:
Appendix 4a - Risk Services Quarter One Report

6.0 Legal considerations:

6.1 All work undertaken by Risk Services is in line with relevant legislation. This is particularly important when undertaking fraud investigations where a number of regulations need to be adhered to.

7.0 Human Resources considerations:

7.1 N/a

8.0 Equalities considerations:

8.1 N/a

9.0 Financial considerations:

9.1 All work has been delivered within the agreed budget for Risk Services.

10.0 Risk management considerations:

10.1 The primary role of Risk Services is to provide assurance that the Council is effectively managing its risks and provide support to all services in relation to risk and control. Risks that have been identified in the quarter are reported in the summary report.

11.0 Ethical considerations:

11.1 N/a

12.0 Internal/ External Consultation undertaken:

12.1 The Risk Services Quarterly Report was presented to the Corporate Leadership Team on the 28 July 2015.

13.0 Background papers:

13.1 N/a

Risk Services Annual Report and Quarterly Report 1st April to 30th June 2015

Contents Page

Risk Services Quarter One Report – 2015/2016

1. First Quarter Summary

Service Developments

1.1 *Internal Audit*

Internal Audit has been focused on finalising the audit reports relating to the previous financial year and starting the work scheduled to take place from the 2015/2016 Internal Audit Plan. Internal audits that have been scoped in the quarter and fieldwork underway include:

- Anchorsholme Sea Defence Work
- CCTV
- Physical Activities
- Cultural Services and Libraries
- Executive Decision Making
- Area and Ward Budgets
- Positive Steps into Work
- Better Start Project
- Public Health Continuing Professional Development
- Licensing
- Banking Contract
- Leisure Centres
- Purchase Cards

Details of the scope and final outcome for each of the above audits will be reported to Audit Committee in the Risk Services Quarter Two report once the fieldwork has been completed.

1.2 *Corporate Fraud*

The National Fraud Initiative (NFI) data matches for 2015 are currently being investigated with a focus being on those that are high risk. On completion of the exercise details of the outcomes will be reported to Audit Committee.

A recruitment exercise has been undertaken to appoint an Insurance Fraud Officer and the procurement of a system to facilitate the investigation of insurance fraud is well underway. It is hoped that this planned element of the Corporate Fraud Team can begin in September with the objective being to implement a robust approach to insurance fraud for all claims that the Council is currently unable to defend.

1.3 *Risk and Resilience*

The lessons learned from the corporate business continuity exercise have been reported to the Corporate Leadership Team and a number of actions agreed to help strengthen arrangements going forward. In terms of the key action for the Risk and Resilience Team this is the update of the Corporate Business Continuity Plan, the production of a 'Quick Guide' for use by managers in an incident and the refinement of the Council's Critical Activity's List.

Plans are being made to test the Council's Major Emergency Plan and a corporate exercise is scheduled to take place in September, plans for which are well advanced.

Risk Services Quarter One Report – 2015/2016

The team continues to contribute to the work of the Lancashire Resilience Forum including attending meetings, facilitating exercises, conducting reviews and contributing to the various work streams.

The team has been working with the BSafe partnership and has prepared a paper to the Corporate Leadership Team on counter terrorism and the local authority's responsibilities for preventative measures.

The Council's risk management arrangements, with a focus on liability issues, have been independently reviewed by Gallagher Bassett, the Council's claim handlers. The report is currently being finalised and will be reported to a future Audit Committee for information, however initial feedback at draft report stage has been positive with a small number of areas identified for improvement.

The Council's self-insurance fund has been audited by an independent actuary. The results of this have been reported to the Director of Resources and Chief Accountant and will be followed up with a payment schedule to strengthen the insurance reserves going forward to ensure that there is adequate provision in place.

2. Performance

Risk Services Performance indicators

Performance Indicator (Description of measure)	2015/16 Target	2015/16 Actual
Professional and technical qualification as a percentage of the total.	85%	86%

Internal Audit Team performance indicators

Performance Indicator (Description of measure)	2015/16 Target	2015/16 Actual
Percentage audit plan completed (annual target).	90%	19%
Percentage draft reports issued within deadline.	96%	100%
Percentage audit work within resource budget.	92%	100%
Percentage of positive satisfaction surveys.	85%	85%
Percentage compliance with quality standards for audit reviews.	85%	86%

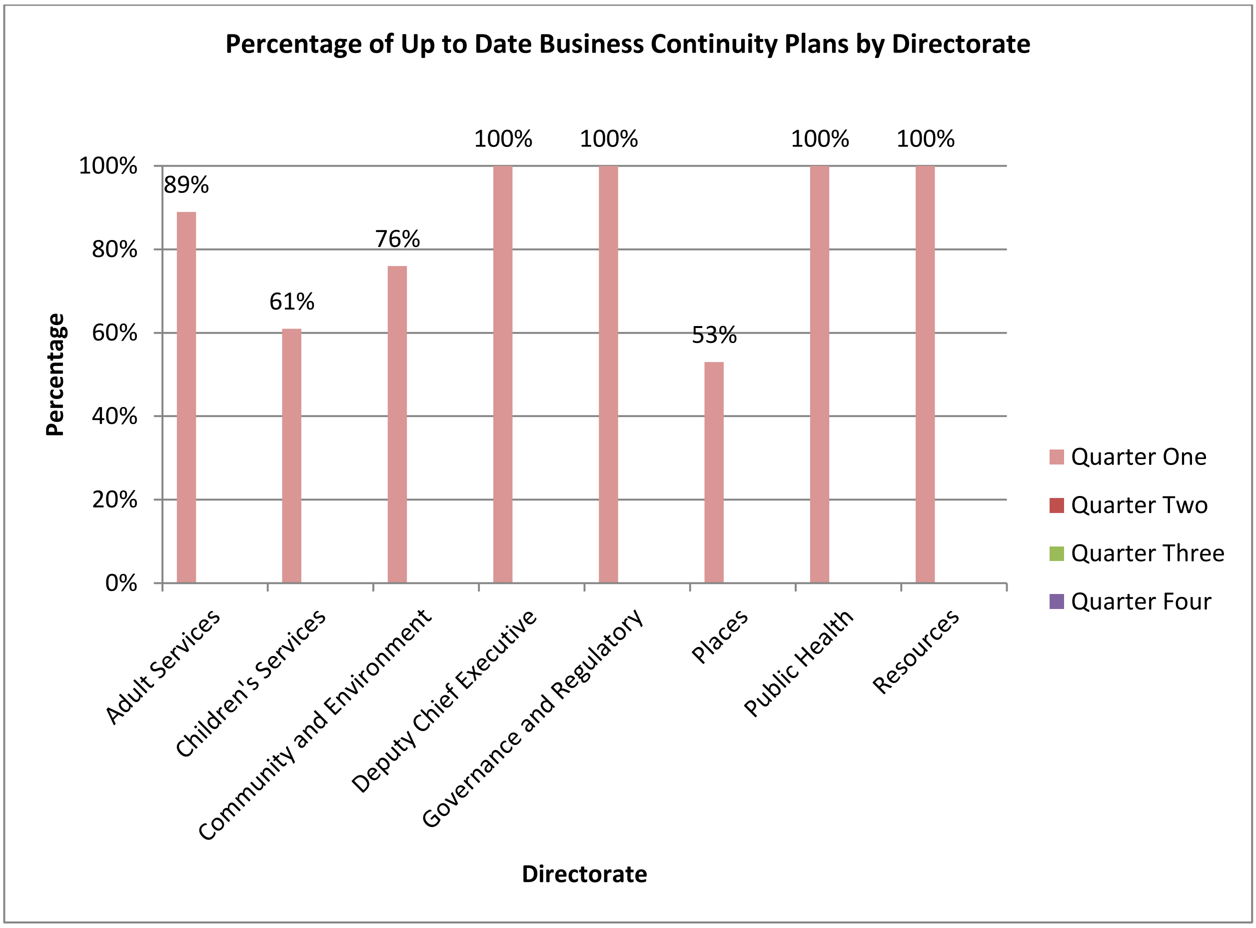
Risk and Resilience Team performance indicators

Performance Indicator (Description of measure)	2015/16 Target	2015/16 Actual
Percentage of Council service business continuity plans up to date.	90%	73%

Risk Services Quarter One Report – 2015/2016

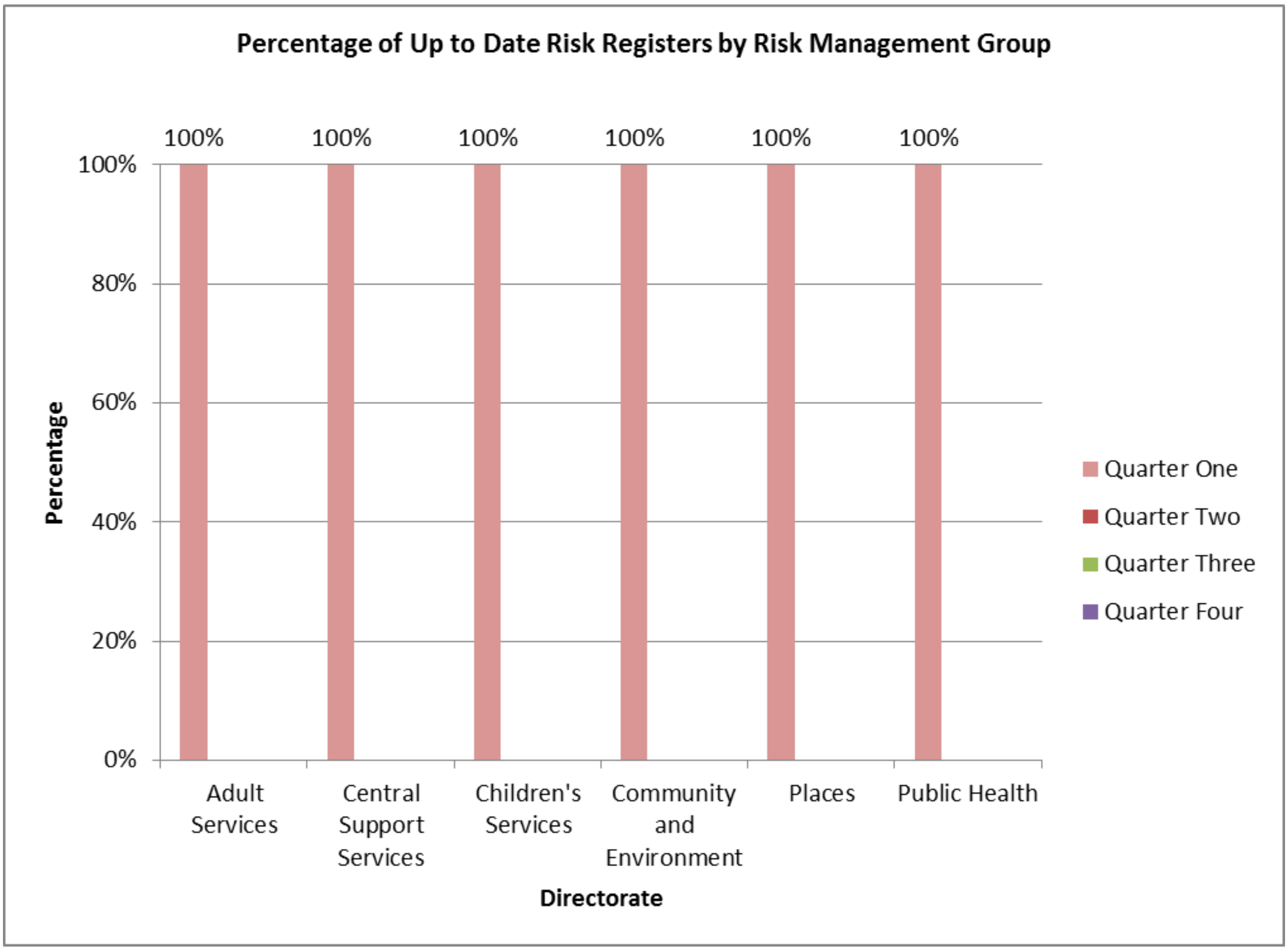
Performance Indicator (Description of measure)	2015/16 Target	2015/16 Actual
Number of risk and resilience training and exercise sessions held (annual target).	6	1
Number of trained Emergency Response Group Volunteers (for monitoring purposes only – responsibility lies with Adult Social Care)	60	44
Percentage integration into the Lancashire Resilience Forum workstreams.	70%	70%
Percentage of property risk audit programme completed (annual target).	90%	11%
Percentage of risk registers revised and up to date at the end of the quarter.	90%	100%

*In support of the 73% of business continuity plans up to date by the end of the quarter the following graph shows a breakdown by directorate:



*In support of the 100% of risk registers revised and up to date by the end of the quarter the following graph shows a breakdown by department:

Risk Services Quarter One Report – 2015/2016



Corporate Fraud Team performance indicators

Performance Indicator (Description of measure)	2015/16 Target	2015/16 Actual
Percentage of high risk / recommended National Fraud Initiative matches investigated (annual target).	100%	44%

Risk Services Quarter One Report – 2015/2016

Corporate Fraud Team Statistics

	Number of Referrals Received	Number of Fraud Proven	Under Investigation	No Fraud	Value of Fraud	Action Taken				
						AP	Pro	Rec	NFA	Disc
Type of Fraud	**Quarter 1**									
Council Tax Discount	1	0	0	1	£0.00	0	0	0	0	0
Council Tax Reduction (CTR)	26	0	25	1	£0.00	0	0	0	0	0
Business Rates	0	0	0	0	£0.00	0	0	0	0	0
Procurement	1	0	0	1	£0.00	0	0	0	0	0
Fraudulent Insurance Claims	0	0	0	0	£0.00	0	0	0	0	0
Social Care	0	0	0	0	£0.00	0	0	0	0	0
Economic & Third Sector Support	0	0	0	0	£0.00	0	0	0	0	0
Debt	1	0	0	1	£0.00	0	0	0	0	0
Pension	0	0	0	0	£0.00	0	0	0	0	0
Investment	0	0	0	0	£0.00	0	0	0	0	0
Payroll & Employee contact fulfilment	0	0	0	0	£0.00	0	0	0	0	0
Expenses	0	0	0	0	£0.00	0	0	0	0	0
Abuse of position - financial gain	3	1	1	1	£1,449.99	0	0	0	0	1
Abuse of position - manipulation of financial or non-financial data	0	0	0	0	£0.00	0	0	0	0	0
Disabled parking concessions	0	0	0	0	£0.00	0	0	0	0	0
Totals:	**32**	**1**	**26**	**5**	**£1,449.99**	**0**	**0**	**0**	**0**	**1**

	April	May	June
Number of Referrals Sent to a Third Party (DWP/Planning/other LA)	2	4	3

Risk Services Quarter One Report – 2015/2016

3. Appendix A: Performance & Summary Tables for Quarter One

Internal Audit reports issued in period

Directorate	Review Title	Assurance Statement
Children's Services	Educational Diversity	**Scope:** Compliance testing based on a random sample was carried out in the following areas: • Purchasing • Procurement • Petty cash and purchase cards • Income • Payroll • Banking **Assurance Statement:** We consider that the controls in place are good with most risks identified and assessed and only minor control improvement required. Our testing revealed only minor lapses in compliance with the controls.
Children's Services	Social Care Improvement Plan	**Scope:** The scope of our audit was to review: • How the Children's Social Care Improvement Plan (this includes wider Children's Services improvement actions and is also known as the Children's Improvement Board Action Plan) addresses the recent Ofsted inspection recommendations; • How the Improvement Plan was developed; • How progress on implementing the Improvement Plan is reviewed and monitored; and • What initial progress on implementing the Improvement Plan has been achieved. **Assurance Statement:** We consider the controls in place around the processes for Children's Social Care Improvement Planning overall to be adequate. However, we do have concerns that the improvement plan is not reflected in the service risk register and that action should be taken to ensure that outstanding milestones are completed.

Risk Services Quarter One Report – 2015/2016

<table>
<tr><th>Directorate</th><th>Review Title</th><th>Assurance Statement</th></tr>
<tr><td>Corporate</td><td>Impact of Spending Cuts</td><td><u>Scope:</u>

The scope of the audit was to review:
The robustness of the plans in place in terms of the deliverability of the proposed savings and expected service levels;
The level of risk being taken as a result of the proposals being put forward; and
The derivation of the savings figures, ensuring their full consequences have been taken into account.
<u>Assurance Statement:</u>
We consider that the process identified to continue to meet the ever increasing reductions to Council funding is adequate although we have identified some areas for improvement.

At the time of our initial fieldwork in November the resultant plans to deliver the target savings identified were not sufficiently developed and therefore considered inadequate overall. Between the time of our initial fieldwork and our follow-up review of the 2015/16 budget approved by Executive on 9th February a considerable amount of work went into refining the savings to increase their robustness and deliverability. The further work during this period significantly reduced initial concerns with the robustness of equality impact assessment and assessment of the level of risk associated with the plans.</td></tr>
</table>

Risk Services Quarter One Report – 2015/2016

Directorate	Review Title	Assurance Statement
Corporate	Blackpool Transport Services	**Scope:** The scope of the audit was to review: • BTS income, expenditure and profits and assess the process to establish how BTS calculates what it considers to be an affordable level of dividends bearing in mind any requirements for retained funds and cash flow considerations; • The budgeting and financial forecasting processes, including the process by which the management accounts are constructed and the potential of including a forward forecast of likely outturn; and • Consideration of Corporation Tax efficiency measures for the mutual benefit of BTS, the Council and potentially its other subsidiary companies. **Assurance Statement:** We consider the controls in place around the processes for the BTS Management Accounts to be adequate, with some recommendations for improvement identified.

Risk Services Quarter One Report – 2015/2016

Directorate	Review Title	Assurance Statement
Corporate	Income and Debt Management	**Scope:** The scope of our audit was to: • Undertake an analysis of income and debt data to understand activity across the Council • Ascertain the amount of staff time spent on income and debt management by service area. • Undertake case studies on areas perceived to be poor performing to understand what issues related to income and debt management arise and assess how these can be overcome. • Undertake case studies on areas perceived to be performing well to determine what lessons can be learned. • Review the end to end process for income and debt collection and prepare process maps to help develop a standardised approach across the Council. • Undertake high level benchmarking with other local authorities to determine how sundry debt is managed. • Review the performance of the Corporate Debt Team by reviewing processes, performance indicators and progress against the team's development plan. • Explore the potential for extending the remit of the Corporate Debt Team through a transfer of resources from service areas to improve income management across the Council. **Assurance Statement:** A wide array of procedures in relation to income and debt management are in place across the Council with varying levels of performance. We therefore consider that the controls in place are inadequate overall with a number of material risks identified and significant improvement required. Our testing revealed major lapses in compliance with the controls in some services.

Risk Services Quarter One Report – 2015/2016

Directorate	Review Title	Assurance Statement
Places	Housing Options	**Scope:** The scope of our audit was to review the financial management of the Housing Options service. **Assurance Statement:** We consider that the controls in place in relation to general financial management are adequate with some changes necessary to improve controls. However we consider controls surrounding cash handling procedures to be inadequate at present although the planned introduction of a new software packages for service and financial management should help enable more robust controls in future. Our testing revealed only minor lapses in compliance with the controls.

Progress with Priority 1 audit recommendations

In quarter one a full review of priority one recommendations was undertaken to confirm the current position. This focused on all priority one recommendations implemented, those where new target dates have been agreed, those where no response has yet been received by the service and those not yet due.

A number of actions have now been implemented and signed off and this includes for in-house claims handling, streetlighting PFI, corporate complaints, adult and children's services commissioning, registrars, commissioning external placements, pupil welfare, property rationalisation, troubled families, property services procurement, commissioning of complex care packages, fairer charging and the waste PFI.

A number of priority one recommendations have not been implemented by the agreed target date however steps have been taken with the service to agree revised target dates and these will be followed-up once the new target dates are reached. These include adult and children's services commissioning, advertising, property rationalisation, deferred payments and area forum and ward budgets.

A response is still required from the bereavement service in relation to outstanding priority one recommendations and this has been raised with the Corporate Leadership Team and is in the process of being actively followed up.

A number of priority one recommendations became due for implementation in this quarter and these are currently being followed up. These include e-invoicing, year seven saving accounts and Framework-i.

Risk Services Quarter One Report – 2015/2016

The Regulation of Investigatory Powers Act 2000

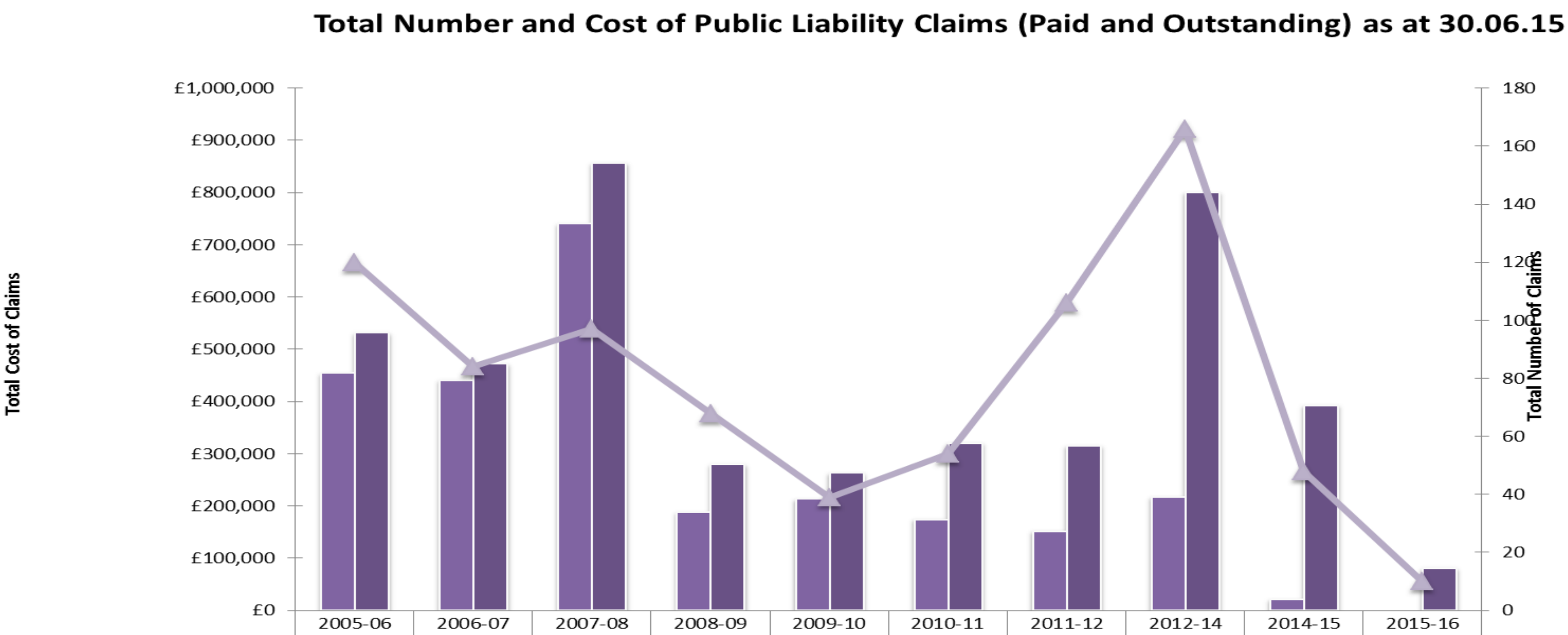
In line with best practice it has been agreed that the Council will report to the Finance and Audit Committee the number of RIPA authorisations undertaken each quarter which enables the Council to undertake directed and covert surveillance. Between April and June 2015 the Council authorised no directed surveillance reported to the Governance and Regulatory Service.

Insurance claims data

Statistics in relation to insurance claims are collated on a quarterly basis and details of the latest information can be seen in **Appendix B** of this report.

Risk Services Quarter Four Report – 2014/2015

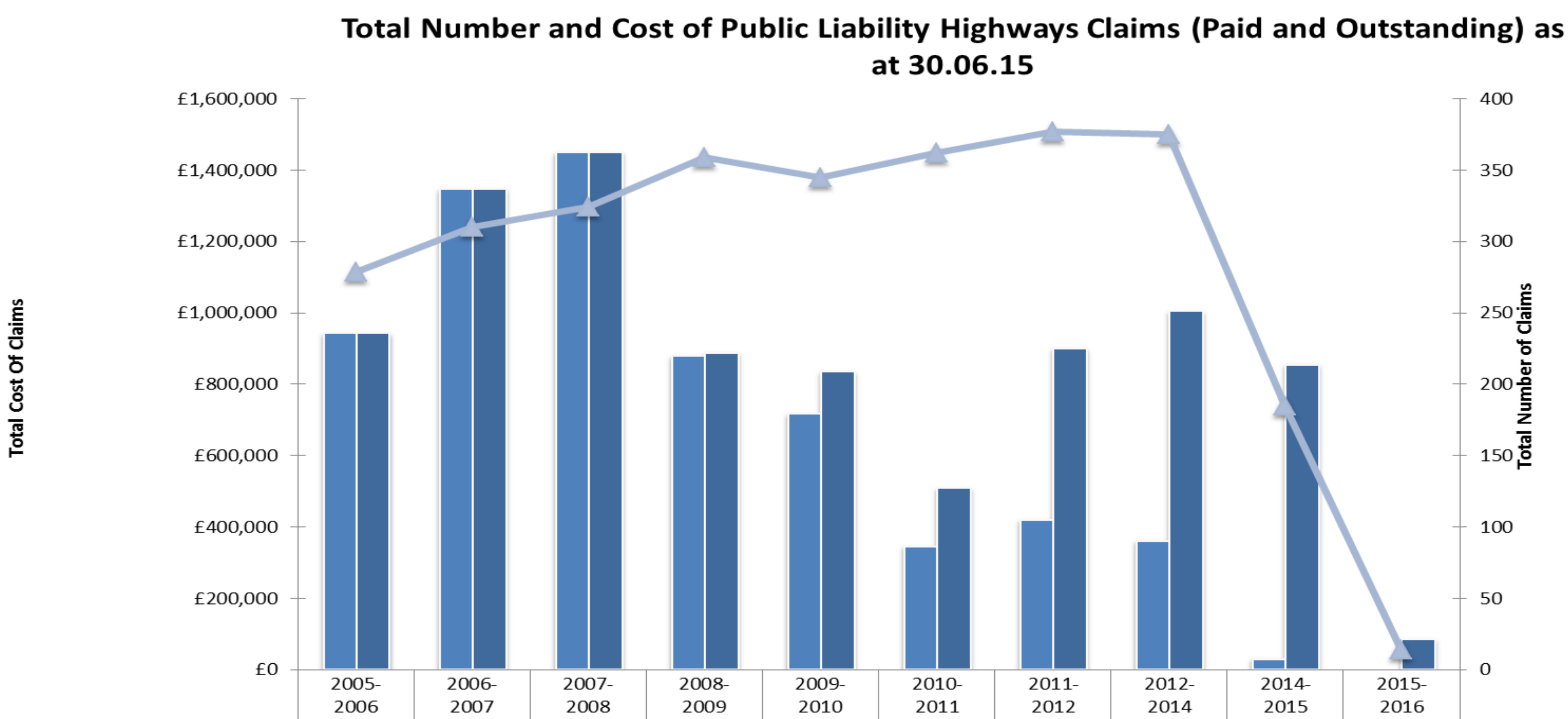
4. Appendix B – Insurance Claims Data



	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-14	2014-15	2015-16
Claims Settled	£454,628	£441,518	£741,240	£188,420	£213,636	£174,950	£152,489	£217,537	£21,508	£0
Total Cost of Claims	£531,847	£473,102	£857,271	£280,004	£263,621	£321,050	£315,765	£801,461	£393,334	£81,268
Total Number of Claims	120	84	97	68	39	54	106	166	48	10

Please note that for the period 2012 to 2014 the policy ran for an 18 month period whilst arrangements were made to align all policy dates to a 1st April start in preparation for the procurement exercise.

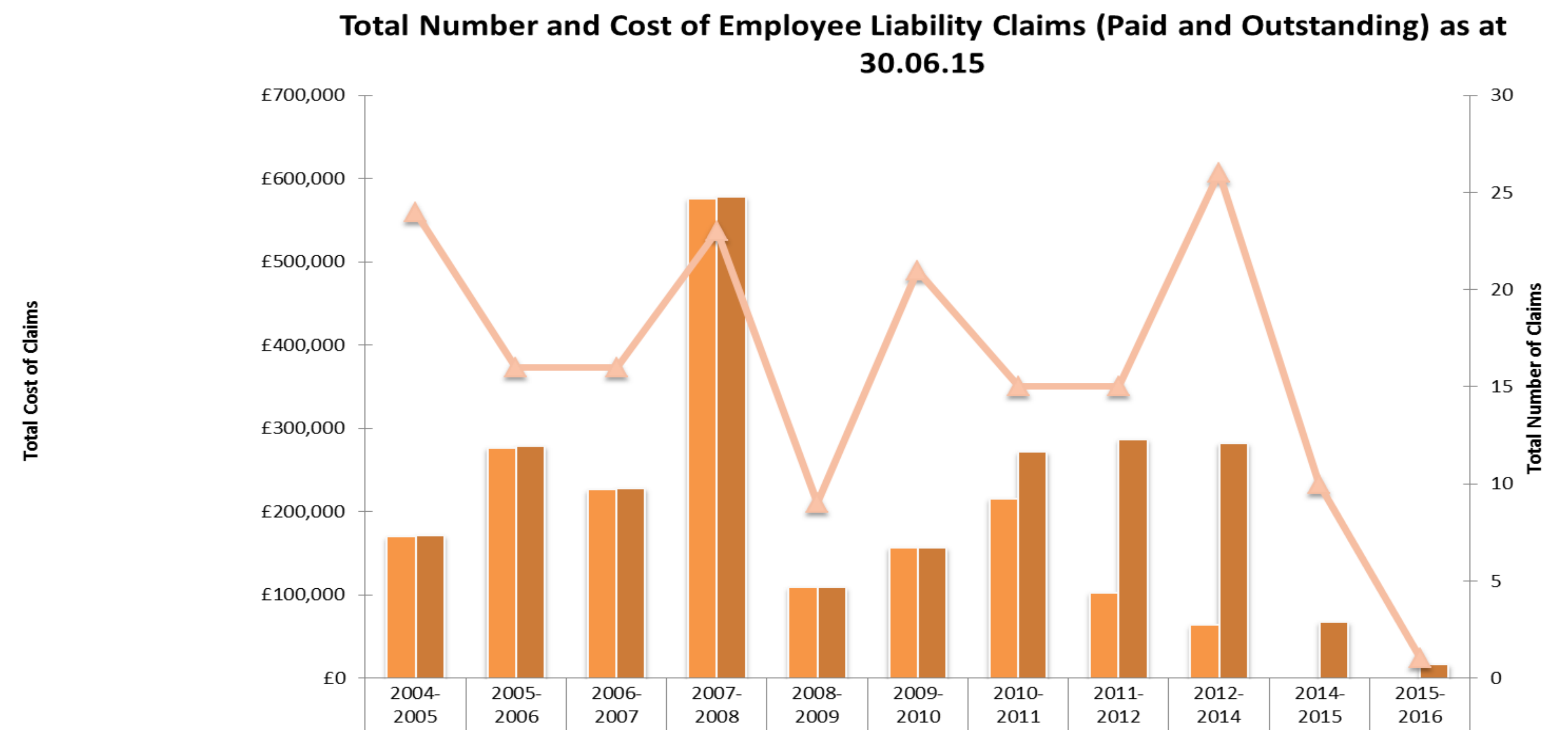
Risk Services Quarter Four Report – 2014/2015



	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2014	2014-2015	2015-2016
Claims Settled	£943,994	£1,348,498	£1,451,738	£879,217	£718,114	£345,810	£420,581	£361,529	£30,132	£0
Total Cost of Claims	£943,994	£1,348,498	£1,451,738	£888,217	£835,585	£509,259	£901,045	£1,005,787	£855,496	£85,422
Total Number of Claims	279	310	324	359	345	362	377	375	185	14

Please note that for the period 2012 to 2014 the policy ran for an 18 month period whilst arrangements were made to align all policy dates to a 1st April start in preparation for the procurement exercise.

Risk Services Quarter Four Report – 2014/2015



	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2014	2014-2015	2015-2016
Claims Settled	£169,316	£276,584	£225,897	£575,713	£108,792	£156,870	£215,489	£102,461	£63,137	£0	£0
Total Cost of Claims	£171,316	£278,584	£227,897	£577,713	£108,792	£156,780	£271,471	£286,657	£281,732	£67,103	£16,000
Total Number of Claims	24	16	16	23	9	21	15	15	26	10	1

Please note that for the period 2012 to 2014 the policy ran for an 18 month period whilst arrangements were made to align all policy dates to a 1st April start in preparation for the procurement exercise.

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Report to:	**Audit Committee**
Relevant Officer:	Steve Thompson, Director of Resources
Date of Meeting	24 September 2015

EXTERNAL AUDITOR'S REPORT TO THOSE CHARGED WITH GOVERNANCE (ISA 260) AND STATEMENT OF ACCOUNTS 2014-2015

1.0 Purpose of the report:

1.1 To consider KPMG's Governance Report and the audited Statement of Accounts for 2014-2015.

2.0 Recommendation(s):

2.1 To consider the External Auditor's Report to those charged with Governance (ISA 260) for 2014–2015.

2.2 To approve the audited Statement of Accounts for 2014-2015.

3.0 Reasons for recommendation(s):

3.1 To enable the Committee to approve the Statement of Accounts by 30 September 2015 to ensure compliance with the Accounts and Audit Regulations (England) Regulations 2011.

3.2a Is the recommendation contrary to a plan or strategy adopted or approved by the Council? No

3.2b Is the recommendation in accordance with the Council's approved budget? Yes

3.3 Other alternative options to be considered:

None, as the Committee is required to approve the Statement of Accounts.

4.0 Council Priority:

4.1 The relevant Council Priority is:

Deliver quality services through a professional, well-rewarded and motivated workforce

5.0 Background Information

5.1 The *Accounts and Audit (England) Regulations 2011* require that "the responsible financial officer of a larger relevant body must, no later than 30 June immediately following the end of a year, sign and date the statement of accounts" with the final audited version approved by Members by 30 September.

5.2 The draft Statement of Accounts 2014-2015 were signed off by the Council's statutory finance officer, the Director of Resources, on 29 June.

5.3 The audit is now complete and the final Statement of Accounts 2014-2015 is attached at Appendix 5a. It is anticipated that an unqualified opinion on the 2014-2015 accounts will be issued.

5.4 Once the governance report has been considered and the letter of representation signed by the Director of Resources, it is expected that the Auditor will finalise his statements in order that the final audited accounts can be published.

Does the information submitted include any exempt information? No

List of Appendices:

Appendix 5a - Statement of Accounts 2014-15
Appendix 5b- External Auditor's Report ISA 260 2014-15

6.0 Legal considerations:

6.1 None

7.0 Human Resources considerations:

7.1 None

8.0 Equalities considerations:

8.1 None

9.0 Financial considerations:

9.1 None

10.0 Risk management considerations:

10.1 None

11.0 Ethical considerations:

11.1 None

12.0 Internal/ External Consultation undertaken:

12.1 None

13.0 Background papers:

13.1 None

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Blackpool Council

STATEMENT OF ACCOUNTS

FOR THE YEAR ENDED 31ST MARCH 2015

CONTENTS

EXPLANATORY FOREWORD

INTRODUCTION

The Statement of Accounts summarises the financial performance of the Council for the year ended 31st March 2015. The foreword gives a brief summary of the Council's overall financial results for 2014/2015, the type of expenditure incurred and the funds used to pay for it. It also highlights the main influences affecting the accounts and assists in the interpretation of the main accounting statements.

These accounts have been prepared in accordance with the Accounts and Audit (England) Regulations 2011 and the current *Code of Practice on Local Authority Accounting in the United Kingdom,* based on International Financial Reporting Standards.

EXPLANATION OF THE STATEMENTS

The statements presented in the following pages comprise:-

Statement of Responsibilities for the Statement of Accounts

This sets out the respective responsibilities of the Council and the Director of Resources for the accounts.

The accounts are supported by notes to the financial statements. These notes include a summary of significant accounting policies, further detail relating to items in the main financial statements and assumptions made about the future.

Movement in Reserves Statement

This statement shows the movement in year on the different reserves held by the Council, analysed into "usable" reserves (i.e those that can be applied to fund expenditure or reduce local taxation) and other reserves.

Comprehensive Income and Expenditure Account

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Balance Sheet

This sets out the overall financial position of the Council as at 31st March 2015. It shows the reserves and balances of the Council, its long–term indebtedness and the value of non-current assets and net current assets.

Cash Flow Statement

This summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

Housing Revenue Account

This reflects a statutory obligation to account separately for local authority housing provision. It shows the major elements of housing revenue expenditure and income.

Collection Fund

This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund which shows the transactions on non-domestic rates and council tax and illustrates the way in which these are distributed to Central Government, Police and Crime Commissioner for Lancashire, Lancashire Fire Authority and the Council's General Fund.

Group Accounts

This summarises group financial statements prepared in order to show the overall financial position and results of the local authority group.

SUMMARY OF THE FINANCIAL YEAR

REVENUE SUMMARY

The budget for 2014/2015 was set by the Council on 28th February 2014 in the sum of £141.058m. There was no change in Council Tax at Band D £1,306.00 (£1,306.00 in 2013/2014) for services which are the responsibility of the Council to deliver. There was a small increase in Council Tax Band D £1,525.61 (£1,522.57 in 2013/2014) when precepts for the Police and Crime Commissioner for Lancashire and Lancashire Fire Authority are included. The budget was financed as follows:

	£m
Revenue Support Grant	52.539
Non-Domestic Rate Baseline	24.218
Non-Domestic Rate Top-Up	18.804
Section 31 grants	2.573
Council Tax Freeze Grant	0.598
Collection Fund Deficit	(3.025)
Council Tax	45.351
	141.058

The provisional revenue outturn for 2014/2015 (before allowing for changes to working balances) is £142,121,000 compared with the approved adjusted cash limited budget of £142,440,000 – a net underspend of £319,000.

The year-end variance position for each directorate is set out below and is summarised as follows:-

Directorate	**2014/2015 Variance £000**
Chief Executive	(9)
Deputy Chief Executive	(41)
Governance & Regulatory Services	14
Area Forum and Ward Budgets	(237)
Resources	40
Places	50
Strategic Leisure Assets	-
Community & Environmental Services	592
Adult Services	336
Children's Services	1,601
Public Health	-
Total	**2,346**

The main reasons for this net service overspend are:-

Service	**Reasons**	**£000**
Children's Services	The Children's Social Care division over-spent by £1.9m due to the continuing high numbers of Looked After Children (LAC). There was also a shortfall in grant income of £673,000 due to academy conversions. These cost pressures were partially offset by staffing and efficiency savings in other areas of Children's Services.	1,601
Community & Environmental Services	The main components of this overspend comprise of pressures on day-to-day income on Building Services, prudential borrowing costs associated with Project 30 and CSR savings no longer deemed achievable and where no alternative savings could be delivered. One-off efficiency savings have partly offset these overspends.	592
Adult Services	A brought forward budget gap of £2.5m was partially offset by releasing savings from the further integration of Health and Social Care services, budget rightsizing around Ordinary Residence and increased Fairer Charging income, leaving a recurrent gap of £1.5m. One-off staffing savings and a review of the balance sheet reduced the 2014/2015 in-year overspend down to £336,000.	336
Places/Resources/Governance & Regulatory Services	The majority of these overspends relate to staffing pressures and income targets not achieved.	104

Chief Executive/Deputy Chief Executive	Vacancy savings plus additional income.	(50)
Area Forum and Ward Budgets	Scheme commitments of £237,000 that are being carried forward to 2015/2016 which reduces the true surplus on budget to zero.	(237)
Total		**2,346**

The financial outturn for budgets 'outside the cash limit' is detailed below and shows an aggregate underspending of £761,000. The main reasons for this are:-

Service	**Reasons**	**£000**
Parking Services	Although 2014/2015 has seen an improvement in patronage, the continuing challenging income target has led to this overspend.	744
Concessionary Fares	This overspend is due to higher than expected bus patronage as a result of displacement following the removal of discretionary Tramway concessions for non-Blackpool residents.	543
Investment Portfolio	The overspend of £116,000 is primarily due to the costs of a delay in the demolition of the Syndicate.	116
Council Tax and NNDR Cost of Collection	Reduction in costs recovered.	14
Land Charges	Legal costs relating to nationwide property search litigation have resulted in this overspend.	11
New Homes Bonus	-	4
Housing Benefits	Reduction in scanning and printing costs.	(22)
Subsidiary Companies	Mainly the result of the ending of financing payments relating to previous investment at Sandcastle Waterpark.	(78)
Previous Years' Pension Liability	Reduction in payment to Pension Fund due to schools converting to Academies.	(277)
Treasury Management	The use of temporary borrowing and internal financing has enabled long-term borrowing to be delayed, therefore achieving savings against interest payable.	(1,816)
Total		**(761)**

Treatment of Revenue Budget Variances

As part of the year-end process an analysis of budget variances is undertaken in order to determine the treatment of under/overspendings on service budgets. The conventional Cash Limited Budgeting approach requires that:-

- Under-spendings are carried forward in full and are then available to supplement the following year's service budget;
- overspendings are similarly carried forward but must as far as possible be recovered in the following financial year (where an extended period is required, this must be on the basis of a recovery plan with a timetable not exceeding 3 years and approved by the Executive); and
- any windfall gains, as determined by the Director of Resources and arising from events outside the control of the service, are added to the Council's general working balances.

However, having considered the Provisional Revenue Outturn 2014/2015 in detail and the financial outlook it is recommended that:-

- the underspending of £237,000 on Area Forum and Ward Budgets is carried forward to 2015/2016 in full;
- all remaining under and overspendings are to be written off:

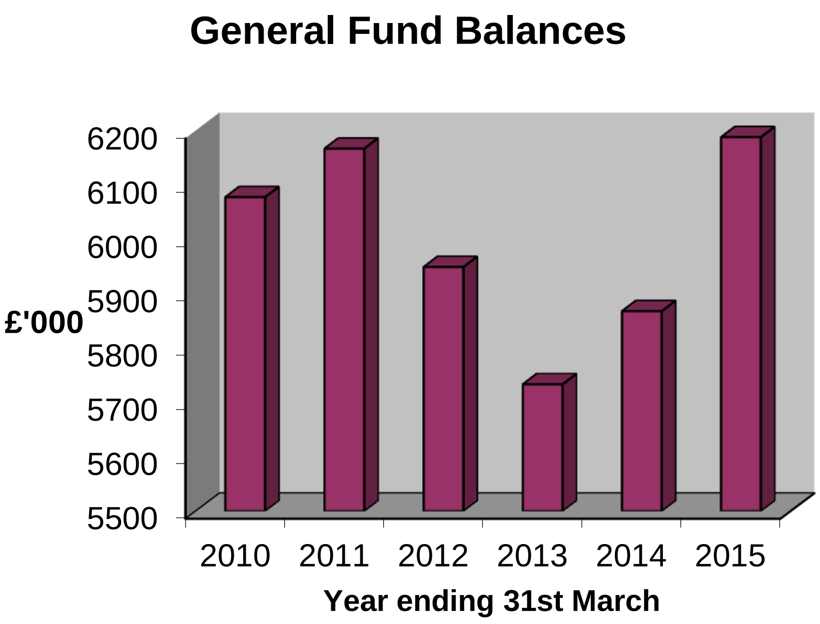
Directorate	**£000**
Children's Services	1,601
Community & Environmental Services	592
Adult Services	336
Places	50
Resources	40
Governance & Regulatory Services	14
Chief Executive	(9)
Deputy Chief Executive	(41)
Total	**2,583**

This will allow services to enter the new financial year in a balanced position and give directorates a realistic chance of meeting their budget savings targets for that year.

GENERAL FUND WORKING BALANCES

In setting the Council's original budget for 2014/2015 the target General Fund working balances as at 31st March 2015 were approximately £6m. However the outturn position means that the actual General Fund working balances as at 31st March 2015 were £6,188,000

The graph below shows the change in the General Fund Working Balances over the last 6 years.



CAPITAL SUMMARY

The total of the Council's capital spending in 2014/2015 was £43.4m, which is a 47.3% decrease from the previous year. The main reason for the decrease in capital spending is that many of the larger schemes have completed e.g. Project 30, Central Business District, St Mary's school. The net book value of the Council's non-current assets as at 31st March 2015 was £781.9m.

The main areas of capital spending during the year were:

	2013/2014 £m	2014/2015 £m
Children's Services	18.0	2.2
Adult Services	2.7	1.8
Human Resources and IT	2.4	1.4
Community and Environmental Services	2.5	12.0
Transport	16.0	7.2
Housing - Private Sector Housing	4.5	3.0
Housing - HRA	11.3	11.8
Places	1.9	1.2
Resources	23.1	2.8
Total	**82.4**	**43.4**

The funding of capital expenditure came from a number of sources as summarised below:

	2013/2014 £m	2014/2015 £m
Capital receipts	0.3	2.4
Grants	33.7	23.0
Borrowing	39.7	5.0
Other	8.7	13.0
Total	**82.4**	**43.4**

As at 31st March 2015 the Council held a balance of usable capital receipts amounting to £3.4m. Most of these capital receipts are earmarked to already approved schemes.

The Council plans future capital developments within the financial constraints placed upon it. Key policy objectives for the future include regeneration and renewal of the town on a significant scale.

- £34m of investment was made in Blackpool Tower and Winter Gardens with funding made available by ERDF, NWDA and Homes & Communities Agency. The Council is continuing to make a significant contribution to improve and develop the facilities in order to meet the requirements of the current market.
- Project 30 commenced in 2011/2012 and was completed in 2014/2015. This was an investment of £30m over 4 years to update the road network and infrastructure to a level considered adequate for a town of Blackpool's stature. This investment will provide significant long-term benefits for the town whose roads required upgrading.

HOUSING REVENUE ACCOUNT (HRA)

Under the *Local Government and Housing Act 1989* expenditure on council housing is "ring-fenced" meaning no contribution can be made to or from the General Fund. Furthermore, the *Housing Revenue Account (Accounting Practices) Directions 2000* applies whereby "Resource Accounting" is implemented, making more transparent the costs of capital tied up in the assets and providing resources to maintain them

HOUSING REVENUE ACCOUNT RESERVES

The balance on the HRA reserve stands at £5.6m at 31 March 2015.

ACCOUNTING PRACTICE COMPLIANCE

These accounts have been prepared in accordance with the Accounts and Audit Regulations 2011 and the current *Code of Practice on Local Authority Accounting in the United Kingdom,* based on International Financial Reporting Standards.

In accordance with the latest *CIPFA Code of Practice on Local Authority Accounting in the United Kingdom,* which is applicable to financial reporting from 1st April 2014, the Comprehensive Income and Expenditure Account is presented using a Service Expenditure Analysis (SEA) reflecting the Service Reporting Accounting Code of Practice approach to consistent financial reporting. The accounting policies adopted by the Council are explained fully in Note 1 in Section 5.

COMPLIANCE WITH STATUTORY CONTROLS & TARGETS

In 2014/2015 the Council did not apply for any supported capital expenditure (SCE) approvals in order to borrow for capital purposes. It is government policy to gradually replace SCEs with Capital Grant. In addition the Council also has authority to prudentially borrow to fund schemes. The costs of this borrowing must be met from the service revenue budget over the useful life of the asset and it is the Council's policy that the cost of the capital scheme using prudential borrowing must have a nil effect on the council tax. Therefore, increased income/savings must be achievable before the scheme can go ahead.

The Council set aside a minimum revenue provision (MRP) of £7.022m representing 4% of the capital financing requirement, as adjusted in respect of the commutation of certain Government housing grants. In addition to the statutory minimum of 4%, £1.035m has been set aside to repay debt relating to shorter life assets that have been funded by prudential borrowing.

FURTHER INFORMATION

The Statement of Accounts forms one element of the Council's financial reporting to local taxpayers, employees and other interested parties. Further information can be found on the Council's website www.blackpool.gov.uk

Transparency

The Government's Transparency Agenda encourages local authorities to make public data openly available. Details of the Council's spend over £250 and senior managers' salaries can be found on the above website.

Further information about this Statement of Accounts is available from:

Director of Resources
Blackpool Council
P O Box 4
Town Hall
Blackpool
FY1 1NA

Public Inspection of Accounts

Interested members of the public have a statutory right to inspect the accounts before the audit is completed. This inspection will take place from 6th July until 31st July 2015 for the 2014/2015 Statement of Accounts. The availability of the accounts for inspection was advertised in the local press in June 2015.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

1. THE COUNCIL'S RESPONSIBILITIES

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the proper responsibility for the administration of those affairs. In this authority that officer is the Director of Resources;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

Chair –Audit Committee
Date

2. THE DIRECTOR OF RESOURCES' RESPONSIBILITIES

The Director of Resources is responsible for the preparation of the authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in United Kingdom* ("the Code of Practice").

In preparing this Statement of Accounts, the Director of Resources has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the Code of Practice.

The Director of Resources has also:

- kept proper accounting records which were up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

3. THE DIRECTOR OF RESOURCES' CERTIFICATE

The Statement of Accounts represents fairly the financial position of the Council at the accounting date and its income and expenditure for the year ended 31st March 2015.

S Thompson
Director of Resources
29th June 2015

SECTION 3

INDEPENDENT AUDITOR'S REPORT

Report will be inserted following audit of accounts

SECTION 4

CORE FINANCIAL STATEMENTS

MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the authority, analysed into `usable reserves' (i.e those that can be applied to fund expenditure or reduce local taxation) and unusable reserves. The surplus or (deficit) on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority.

2014/2015

	General Fund Balance £000	Earmarked General Fund Reserves £000	HRA £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Reserves £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance as at 31st March 2014	**(10,078)**	**(49,971)**	**(4,187)**	**(3,408)**	**-**	**(6,993)**	**(74,637)**	**(322,106)**	**(396,743)**
Movements in Reserves in 2014/2015									
(Surplus) or Deficit on the provision of services	48,211	-	(125)	-	-	-	**48,086**	-	**48,086**
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	-	65,502	**65,502**
Total Comprehensive Income and Expenditure	**48,211**	**-**	**(125)**	**-**	**-**	**-**	**48,086**	**65,502**	**113,588**
Adjustments between accounting basis and funding basis under regulations (Note 7)	(52,624)	-	(3,135)		4,104	-	**(51,655)**	51,655	**-**
Net (Increase) or Decrease before Transfer to Earmarked Reserves	**(4,413)**	**-**	**(3,260)**	**-**	**4,104**	**-**	**(3,569)**	**117,157**	**113,588**
Transfer to/(from) Earmarked Reserves (Note 8)	3,249	3,947	1,830	(23)	(4,104)	2,605	**7,504**	(7,504)	**-**
(Increase)/Decrease in 2014/2015	**(1,164)**	**3,947**	**(1,430)**	**(23)**	**-**	**2,605**	**3,935**	**109,653**	**113,588**
Balance as at 31st March 2015	**(11,242)**	**(46,024)**	**(5,617)**	**(3,431)**	**-**	**(4,388)**	**(70,702)**	**(212,453)**	**(283,155)**

2013/2014

	General Fund Balance £000	Earmarked General Fund Reserves £000	HRA £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Reserves £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance as at 31st March 2013	**(11,183)**	**(43,980)**	**(3,388)**	**(2,734)**	**-**	**(6,599)**	**(67,884)**	**(336,874)**	**(404,758)**
Movements in Reserves in 2013/2014									
(Surplus) or Deficit on the provision of services	65,881	-	(65)	-	-	-	**65,816**	-	**65,816**
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	**-**	(57,801)	**(57,801)**
Total Comprehensive Income and Expenditure	**65,881**	**-**	**(65)**	**-**	**-**	**-**	**65,816**	**(57,801)**	**8,015**
Adjustments between accounting basis and funding basis under regulations (Note 7)	(69,500)	-	(2,820)	(249)	4,219	-	**(68,350)**	68,350	**-**
Net (Increase) or Decrease before Transfer to Earmarked Reserves	**(3,619)**	**-**	**(2,885)**	**(249)**	**4,219**	**-**	**(2,534)**	**10,549**	**8,015**
Transfer to/(from) Earmarked Reserves (Note 8)	4,724	(5,991)	2,086	(425)	(4,219)	(394)	**(4,219)**	4,219	**-**
(Increase)/Decrease in 2013/2014	**1,105**	**(5,991)**	**(799)**	**(674)**	**-**	**(394)**	**(6,753)**	**14,768**	**8,015**
Balance as at 31st March 2014	**(10,078)**	**(49,971)**	**(4,187)**	**(3,408)**	**-**	**(6,993)**	**(74,637)**	**(322,106)**	**(396,743)**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31ST MARCH 2015

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2013/2014				2014/2015		
Gross Expenditure £000	**Gross Income £000**	**Net Expenditure £000**		**Gross Expenditure £000**	**Gross Income £000**	**Net Expenditure £000**
32,334	(11,415)	20,919	Central Services to the Public	13,127	(3,316)	9,811
25,094	(9,065)	16,029	Cultural and Related Services	17,781	(10,078)	7,703
35,267	(10,477)	24,790	Environment and Regulatory Services	17,622	5,297	22,919
273	(937)	(664)	Planning Services	2,276	(1,304)	972
158,964	(110,347)	48,617	Childrens and Education Services	118,898	(78,397)	40,501
37,391	(12,366)	25,025	Highways and Transport Services	36,557	(15,827)	20,730
17,067	(18,034)	(967)	Local Authority Housing (HRA)	17,629	(18,525)	(896)
95,942	(92,102)	3,840	Other Housing Services	90,414	(85,667)	4,747
68,680	(19,492)	49,188	Adult Social Care	70,857	(24,608)	46,249
15,120	(17,622)	(2,502)	Public Health	15,646	(17,337)	(1,691)
3,395	(3,362)	33	Corporate and Democratic Core	2,504	(2,451)	53
(38)	3,357	3,319	Non-Distributed Cost	(5,596)	3,560	(2,036)
489,489	**(301,862)**	**187,627**	**Cost of Services**	**397,715**	**(248,653)**	**149,062**
		40,776	Other Operating Expenditure (Note 9)			53,841
		5,543	Financing & Investment Income & Expenditure - Other (Note 10)			1,904
		8,740	Income & Expenditure in relation to Investment Properties and changes in their fair value (Notes 14)			1,550
		(176,870)	Taxation and Non-Specific Grant Income - Other (Note 11)			(158,271)
		65,816	**(Surplus) or Deficit on Provision of Services**			**48,086**
		(14,609)	Surplus or Deficit on revaluation of Property, Plant and Equipment assets			3,983
		5,701	Impairment (gains)/losses on non-current assets charged to Revalution Reserve			(2,148)
		400	Surplus or deficit on revaluation of available for sale financial assets			(300)
		18	Movement on financial instruments adjustment account			953
		(48,936)	Actuarial gains / losses on pension assets / liabilities			62,229
		(375)	Other Movements			785
		(57,801)	**Other Comprehensive Income and Expenditure**			**65,502**
		8,015	**Total Comprehensive Income and Expenditure**			**113,588**

BALANCE SHEET FOR THE YEAR ENDED 31ST MARCH 2015

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example Capital Receipts Reserve may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31st March 2014 £000		Notes	31st March 2015 £000
810,448	Property, Plant and Equipment	12	759,842
7,764	Heritage Assets	13	7,764
13,450	Investment Property	14	13,398
129	Intangible Assets	15	97
482	Assets Held for Sale	16	763
9,900	Long Term Investments	18	10,204
10,561	Long Term Debtors	19	10,258
852,734	**Long Term Assets**		**802,326**
550	Short Term Assets Held for Sale		550
607	Inventories	20	449
38,790	Short Term Debtors	21	36,450
711	Payments in Advance	22	564
-	Short Term Investments		350
6,854	Cash and Cash Equivalents	23	3,224
47,512	**Current Assets**		**41,587**
(45,348)	Short Term Borrowing		(52,815)
(51,940)	Short Term Creditors	25	(41,713)
(13,662)	Receipts in Advance	24	(13,100)
(14,042)	Short Term Provisions	26	(17,834)
(124,992)	**Current Liabilities**		**(125,462)**
(81,061)	Long Term Creditors	25	(81,899)
(94,586)	Long Term Borrowing		(88,023)
(192,012)	Other Long Term Liabilities		(254,027)
(10,852)	Capital Grants in Advance		(11,347)
(378,511)	**Long Term Liabilities**		**(435,296)**
396,743	**Net Assets**		**283,155**
(74,637)	Usable Reserves	27	(70,702)
(322,106)	Unusable Reserves	28	(212,453)
(396,743)	**Total Reserves**		**(283,155)**

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2015

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flow by providers of capital (i.e borrowing) to the authority.

2013/2014 £000		**Notes**	**2014/2015 £000**
65,816	Net (surplus) or deficit on the provision of services		48,086
(64,001)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	29	(8,592)
(31,765)	Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities	29	(62,161)
(29,950)	**Net cash flows from Operating Activities**		**(22,667)**
35,314	Investing Activities	30	18,641
(28,602)	Financing Activities	31	134
(23,238)	**Net (increase) or decrease in cash and cash equivalents**		**(3,892)**
(104,274)	Cash and cash equivalents at the beginning of the reporting period		(127,512)
(127,512)	**Cash and cash equivalents at the end of the reporting period**	32	**(131,404)**

SECTION 5

NOTES TO THE ACCOUNTS

CONTENTS FOR NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

i. GENERAL PRINCIPLES

The Statement of Accounts summarises the Council's transactions for the 2014/2015 financial year and its position at the year-end 31st March 2015. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the *Code of Practice on Local Authority Accounting in the United Kingdom 2014/2015* (the 'Code')and the *Service Reporting Code of Practice 2014/2015* (SERCOP) supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

ii. ACCRUALS OF INCOME AND EXPENDITURE

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet. Works are charged as expenditure when they are completed, before which they are carried as works in progress on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest payable on borrowing and receivable on investments is accounted for respectively as expenditure and income on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

iii. ACQUIRED AND DISCONTINUED OPERATIONS

All operations acquired and discontinued in year are treated in line with the Council's accounting policies.

iv. CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature within three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

v. PRIOR PERIOD ADJUSTMENTS, CHANGES IN ACCOUNTING POLICIES AND ESTIMATES AND ERRORS

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable and relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

vi. CHARGES TO REVENUE FOR NON-CURRENT ASSETS

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- Depreciation attributable to the assets used by the relevant service
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- Amortisation of intangible fixed assets attributable to the service.

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance (Minimum Revenue Provision (MRP), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

vii. EMPLOYEE BENEFITS

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non- monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements and flexi time earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement on Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the appropriate service or where applicable to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

Post - Employment Benefits

Employees of the Authority are members of two separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).
- The Local Government Pension Scheme, administered by Lancashire County Council.

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees work for the Authority.

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Authority. The scheme is therefore accounted for as if it were a defined benefit contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Education and Children's Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to the Teachers pensions in the year.

The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Lancashire County Council pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – ie an assessment of the future payments that will be made in relation to retirement benefits earned to date by the employees, based on assumptions about mortality rates, employee turnover rates, etc and projections of projected earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate of 12.8% (4.12% in 2013/2014) (based on the weighted average of "spot yields" on AA rated corporate bonds).

- The assets of the Lancashire County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value:

    - Quoted securities – current bid price
    - Unquoted securities – professional estimate
    - Unitised securities – current bid price
    - Property – market value

The change in the net pension liability is analysed into the following components:

- Service cost comprising:

    - Current service cost – the increase in liabilities as result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts for services for which the employees worked
    - Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
    - Net interest on the net defined benefit liability (asset), ie net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes

in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

- Remeasurements comprising:
  - The return on plan assets – excluding amounts included in net interest on the defined benefit liability (asset) – charged to the Pension Reserve as Other Comprehensive Income and Expenditure
  - Actuarial gains and losses – changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve
  - Contributions paid to the Lancashire County Council pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

viii. EVENTS AFTER THE REPORTING PERIOD

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

ix. FINANCIAL INSTRUMENTS

Financial Liabilities

Financial Liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. However if funds allow, the premium or discount will be charged to the Comprehensive Income and Expenditure Statement in full in the year it is incurred. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement of Reserves Statement.

Financial Assets

Financial assets are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market

- Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

However, the Council has made loans to Lancashire and Blackpool Tourist Board and Lancashire County Developments at less than market rates (soft loans) – see Note 19. When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate than the rate receivable from the organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to the service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the de-recognition of the asset are credited/debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Available-for–Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- Instruments with quoted market prices – the market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis
- Equity shares with no quoted market prices – independent appraisal of company valuations

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available for Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with net gain/loss for the asset accumulated in the Available for Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the assets Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement along with any accumulated gains/losses previously recognised in the Available for Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

x. FOREIGN CURRENCY TRANSLATION

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year end they are reconverted at the spot exchange rate at 31st March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

xi. GOVERNMENT GRANTS AND CONTRIBUTIONS

Whether paid on account, by instalment or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- The Council will comply with the conditions attached to the payments, and
- The grants and contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried on the Balance Sheet as creditors. When conditions have been satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non Specific Grant Income (non ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has not yet been used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Business Improvement District

A Business Improvement District (BID) scheme applies across the whole of the Council. The scheme is funded by a BID levy paid by non-domestic ratepayers. The Council acts as principal under the scheme, and accounts for income received and expenditure incurred (including contributions to the BID project) within the relevant services within the Comprehensive Income and Expenditure Statement.

xii. INTANGIBLE ASSETS

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods and services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds over £10,000) the Capital Receipts Reserve.

xiii. HERITAGE ASSETS

Tangible and Intangible Heritage Assets

Heritage assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Authority's accounting policies on property, plant and equipment. However some of the measurement rules have been relaxed in relation to heritage assets as detailed below. The Authority's collections of heritage assets are accounted for as below:

Illuminations Historic Collection

This is a collection of illuminations that have been on display in the past but no longer form part of the annual display (i.e. non-operational). They are kept for their historical significance. These items are reported in the Balance Sheet at insurance valuations that are based on market values. These insurance valuations are reviewed on a 4 yearly basis.

Due to the unique nature of the collection it is deemed to have an indeterminate life and a high residual value hence, the Authority does not consider it appropriate to charge depreciation.

The collection is fairly static. Any transfers of operational illuminations to this collection would be recognised at a value ascertained by the Illuminations Manager in accordance with the Authority's policy.

Art Collection

The art collection consists of paintings (both oil and watercolour), oriental works of art, European works of art and furniture, and is reported in the Balance Sheet at market value. Due to funds being unavailable for professional valuations the collection has not been revalued for many years. However, the valuation is adequate for insurance purposes and has been reported in the Balance Sheet.

The collection is deemed to have an indeterminate life and a high residual value hence the Authority does not consider it appropriate to charge depreciation.

The collection is fairly static; any acquisitions and donations are rare. Where they do occur acquisitions are initially recognised at cost and donations are recognised at a valuation ascertained by the Head of Arts in accordance with the Authority's policy on art collection.

Tower Company Collection and Local and Family History Collections

These collections are not as large as the art collection but contain some rare items. They include paintings, tourism memorabilia (e.g. model of Blackpool Tower) and other items of significant local interest. The collections have been valued by the Head of Heritage using estimated market valuations (although some items are rare and unique to the area so it is difficult to assess their true value) and have been reported in the Balance Sheet on this basis.

The collections are deemed to have indeterminate lives and a high residual value hence the Authority does not consider it appropriate to charge depreciation.

The collections are fairly static any acquisitions and donations are rare. Where they do occur acquisitions are initially recognised at cost and donations are recognised at a valuation ascertained by the Head of Heritage in accordance with the Authority's policy on the collections.

Civic Regalia

This collection includes the Mayoral chain, Deputy Mayor's chain, Mace and many other civic items. They are reported in the Balance Sheet at market value. The collection is revalued every four years by external valuers.

The collection is deemed to have an indeterminate life and a high residual value hence the Authority does not consider it appropriate to charge depreciation.

The collection is static and any acquisitions and donations are highly unlikely. Where they do occur acquisitions are initially recognised at cost and donations are recognised at a valuation ascertained by the Head of Democratic Services in accordance with the Authority's policy on the collections.

Cenotaph

This had previously been included within community assets in the balance sheet. It is included in Balance Sheet at historic cost less depreciation and is valued by external valuers every four years.

The cenotaph has an estimated useful life of 50 years and therefore the Authority considers it appropriate to charge depreciation.

Stanley Park Statues

These are being held for purposes of knowledge and culture and are therefore considered to be heritage assets. Due to the cost of obtaining external valuations, they have been reported in the Balance Sheet based on insurance valuations. They are to be revalued every four years by external valuers.

They are deemed to have indeterminate lives and a high residual value hence the Authority does not consider it appropriate to charge depreciation.

The collection is fairly static; any acquisitions and donations are rare. Where they do occur acquisitions are initially recognised at cost and donations are recognised at a valuation ascertained by valuers in accordance with the Authority's policy on the collections.

xiv. INTERESTS IN COMPANIES AND OTHER ENTITIES

The Council has material interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures and require it to prepare group accounts. In the Council's own single entity accounts, the interests in companies and other entities are recorded as financial assets at cost less any provision for losses.

xv. INVENTORIES AND LONG TERM CONTRACTS

Items of stock held by the Central Print Unit are valued at current price. All other operational stores of the Council, including spares for plant and vehicle fleets, are included in the accounts at the lower of average cost or net realisable value.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

Work in progress arises in the Community and Environmental Services Directorate, the Illuminations Division (production of new features) and the Central Print Unit. It is valued at cost including an allocation of overheads.

xvi. INVESTMENT PROPERTY

Investment properties are those that are solely used to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of the service or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Properties are not depreciated but are revalued annually according to market conditions at the year end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

xvii. JOINTLY CONTROLLED OPERATIONS AND JOINTLY CONTROLLED ASSETS

Jointly controlled operations are activities undertaken by the Council in conjunction with other venturers that involve the use of assets and resources of the venturers rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Authority and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Council accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

xviii. LEASES

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey the right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Authority as Lessee

Finance Leases

Property, Plant and Equipment held under finance leases is recognised in the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the assets estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease period).

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant and equipment. Charges are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent free period at the commencement of the lease).

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the relevant service revenue account on a straight-line basis over the term of the lease generally meaning that rentals are charged when they become payable. Rental of a building will always contain an element of land (on which the building stands), the land will generally be treated as an operating lease.

The Authority as Lessor

Finance Leases

Where the Council grants a finance lease over a property or an item of plant and equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- Finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

xix. OVERHEADS AND SUPPORT SERVICES

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the *CIPFA Service Reporting Code of Practice 2014/2015 (SERCOP)*. The total absorption costing principle is used – full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SERCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

The main basis for charging of overhead costs is: -

Percentage Time –	Management
	Financial Services
	Payroll (also number of employees/payslips)
	Debtors & Creditors (also number of transactions)
	Human Resources
	Information Technology (also Direct Allocation/No of PCs)
	Corporate Leadership Team
Floor Area -	Administrative Buildings
Actual Time Allocation –	Asset Management Services, Legal Services, Highways, Transportation, Cleansing and Capital Projects Division

xx. PROPERTY, PLANT AND EQUIPMENT

Assets that have physical substance and are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising

- The purchase price
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Authority does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange the cost of the acquisition is the carrying amount of the asset given up by the Authority.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure, community assets and assets under construction – depreciated historical cost

- Dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)

- All other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year end , but as a minimum every four years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Where decreases in value are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable useful life (ie freehold land and certain Community Assets) and assets that are not yet available for use (ie assets under construction).

Depreciation is calculated on the following bases:

- Dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer.
- Vehicles, plant, furniture and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer.
- Infrastructure – straight line allocation over 25 years

Where an item of Property, Plant and Equipment asset has major components whose cost is at least 20% of the total cost of the item, the components are depreciated separately. Only items with a value in excess of £1m were determined material for component accounting.

Revaluation gains are also depreciated with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through the sale transaction rather than through its continuing use, it is classified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains that have accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of the receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

xxi. PRIVATE FINANCE INITIATIVE (PFI) AND SIMILAR CONTRACTS

PFI and similar contracts are agreements to receive services where the responsibility for making available the Property, Plant and Equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes and as ownership of the Property, Plant and Equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on the Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the Property, Plant and Equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as Property, Plant and Equipment owned by the Council.

The amounts payable to the PFI operators each year are analysed into four elements:

- **Fair value of services received during the year** - debited to the relevant service in the Comprehensive Income and Expenditure Statement
- **Finance cost** – an interest charge of a percentage of the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- **Payment towards liability** – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write downs is calculated using the same principles as for a finance lease)
- **Lifecycle replacement costs** - proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

- **Contingent rent** – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Waste Disposal PFI

In 2007 the Council entered into a Joint Working Arrangement with Lancashire County Council (LCC) to co-operate in the provision of certain waste disposal functions. The Council authorised Lancashire County Council to enter into a PFI contract with Global Renewables Lancashire Limited and administer all matters under that contract on behalf of Blackpool Council. The arrangement was due to be a commitment until March 2037.

The parties agreed to complete the termination of the contract on 31st July 2014. The former Operating Company transferred into the ownership of LCC with the Council due to receive a 12.5% share. The Operating Company continue to operate the facility under a Service Level Agreement with LCC. At the end of the concession period LCC may retender the service. If the Council decided that it no longer wished to continue with the contract then LCC would have to pay Blackpool the relevant rental value for its share in the assets. If LCC decides to dispose of the asset then the Council would receive a relevant percentage of the proceeds of the sale.

Street Lighting & Signals PFI

The project commenced on 4th January 2010 and is for 25 years. The total value of the project is £129m and includes the replacement of approximate 16,000 streetlights and signals. The service provider is Community Lighting Partnership.

Highfield Humanities College PFI

The Highfield Humanities College PFI scheme is the only PFI school resulting from the Government's Building Schools for the Future Programme. This project consists of the new build of a secondary school for up to 1,216 pupils and the provision of a fully managed facility for a period of 25 years by the selected operator.

The operator is Eric Wright Facilities Management via the Highfield PSI SPV Limited (a company wholly owned by Blackpool Local Education Partnership, a joint venture between Eric Wright Group, Blackpool Council and Northgate Management Services). The total projected cost over the life of the project is £98m which is funded by PFI credits of £40m from the Department of Education with the remainder funded by the School and Local Authority contributions.

The assets relating to the PFI are recognised on the Authority's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on Property, Plant and Equipment balance.

xxii. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the authority becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party, this is only recognised as income in the relevant revenue account if it is virtually certain that reimbursement will be received if the obligation is settled.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

xxiii. ACCOUNTING FOR THE COSTS OF THE CARBON REDUCTION COMMITMENT SCHEME

The Council is required to participate in the Carbon Reduction Commitment Energy Efficiency Scheme. The scheme is currently in the initial year of its second phase, which ends on 31st March 2019. The Council is required to purchase and surrender allowances, either prospectively or retrospectively, and surrender them on the basis of emissions, ie carbon dioxide produced as energy is used. As carbon dioxide is emitted (ie as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Council is recognised and reported in the costs of the Council's services and apportioned to services on the basis of energy consumption.

xxiv. RESERVES

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council.

xxv. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

xxvi. VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

2. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT NOT YET ADOPTED

Under the *Code of Practice on Local Authority Accounting in the UK 2014/15* (the Code), the Council is required to disclose information setting out the impact of an accounting change required by a new accounting standard that has been issued but not yet adopted by the Code.

The following standards have been issued and will be adopted by the Code in 2015/16. These will be applicable to the Council from 1st April 2015.

- IFRS 13 Fair Value Measurement – This introduces a requirement for the concept of fair value measurement to be applied to all assets and liabilities which use fair value as a measurement basis. In respect of property, plant and equipment the only change is in the valuation of surplus property. Currently surplus property is valued at existing use value before being classified as surplus assets. In future surplus assets will be valued at fair value.
- IFRIC 21 Levies – This clarifies the recognition point for payment of levies as the activity which triggers the payment of the levy. This is not expected to have any impact on the Council as this is already current accounting practice.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 1 the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgments made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not sufficient to provide an indication that the assets of the Council might be impaired as a result of the need to close facilities and reduce levels of service provision.
- The Council is deemed to control the services provided under the agreement for the replacement and upgrade of street lighting and also to control the residual value of the lighting at the end of the agreement. The accounting policies for PFI schemes and similar contracts have been applied to the arrangements and the assets are recognised as Property, Plant and Equipment on the Council's Balance Sheet.
- The following claims have potentially significant settlement values:

    - There are a number of claims against the Authority regarding accidents and injuries sustained on Council land.
    - There are a number of claims against the Authority regarding injuries sustained on roads and footpaths.
- Schools which have converted to Academies are not included in the Council's Balance Sheet. When a school which is held on the Council's Balance Sheet transfers to Academy status the Council accounts for this as a disposal for nil consideration, on the date the school converts to Academy status. All other schools except one voluntary aided school are included on the Council's balance sheet in line with accounting standards following an assessment of the ownership of these schools.

4. ASSUMPTIONS MADE ABOUT THE FUTURE AND MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.
The items in the Authority's Balance Sheet at 31st March 2015 for which there is a significant risk of material adjustment in the forthcoming financial year are shown below:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings would increase by £164,013 for every year that useful lives had to be reduced.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured although the assumptions interact in complex ways. During 2014/2015 the Council's actuaries advised that the net pension liability has increased by £62.229m.
Arrears	At 31/3/15 the Authority had a balance of sundry debtors of £5.3m. £2.5m of this balance was expected to be paid in full. A review of the remaining £2.8m suggested that an impairment of doubtful debts of 40% was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate a doubling of the impairment of doubtful debts would require an additional £1.6m to be set aside as an allowance.
Business Rates	Since the introduction of the Business Rates Retention Scheme on 1st April 2013, local authorities are liable for a share of successful appeals against the business rates charged to businesses. Therefore a provision has been recognised for the best estimate of the amount that businesses have been overcharged up to 31st March 2015. The estimate has been calculated using the Valuation Office (VO) ratings list of appeals and the analysis of successful appeals to date when providing the estimate of the total provision up to and including 31st March 2015.	If the level of appeals were to increase by 1% it would require an additional £103,800 to be set aside.

5. MATERIAL ITEMS OF INCOME AND EXPENSE

The Council has transferred land and buildings for the following 8 schools which moved to Academy status during the year. The value of the land and buildings that are no longer on the Council's balance sheet are:

	2014/2015 £000
St Mary's High School	21,958
St Georges High School	8,853
Collegiate High School	8,500
Bispham High School	8,313
Christ the King	6,055
Baines Endowed Primary School	2,726
Revoe Primary School	2,689
St Cuthberts Primary School	2,250
Total	**61,344**

6. EVENTS AFTER THE REPORTING PERIOD

The Statement of Accounts was authorised for issue by the Director of Resources on 29th June 2015. Events taking place after this date are not reflected in the financial statements and notes. Where events taking place before this date provide information about conditions existing at 31st March 2015, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

7. ADJUSTMENT BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the Comprehensive Income and Expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

The following sets out a description of the reserves that the adjustments are made against:-

General Fund Balance

The General Fund is the statutory fund into which all the receipts of an Authority are paid and out of which all liabilities of the Authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year. However the balance is not available to be applied in funding Housing Revenue Account services.

Housing Revenue Account (HRA)

The HRA balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act, that is available to fund future expenditure in connection with the Council's landlord function or (where in deficit) that is required to be recovered from tenants in future years.

Major Repairs Reserve

The authority is required to maintain the Major Repairs Reserve which controls the application of the Major Repairs Allowance (MRA). The MRA is restricted to being applied to new capital investment in HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the MRA that has yet to be applied at year end.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land and other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year end.

Capital Grants Unapplied

The Capital Grant Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require replacement of monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to capital expenditure against which it can be applied and/or the financial year in which this can take place.

2014/2015	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Reserves £000	Movement in Unusable Reserves £000
	Usable Reserves					
Adjustments involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non current assets	(29,941)	(3,135)				33,076
Capital grants and contributions applied	16,135					(16,135)
Revenue expenditure funded from capital under statute	(2,121)					2,121
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(53,202)					53,202
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of investment	9,361					(9,361)
Capital expenditure charged against the General Fund and HRA balances						-
Adjustments involving the Capital Receipts Reserve:						
Contribution from Capital Reserves						-
Adjustment involving the Major Repairs Reserve						
Reversal of Major Repairs Allowance credited to the HRA						-
Use of the Major Repairs Reserve to finance new capital expenditure				4,104		(4,104)
Adjustments involving the Financial Instruments Adjustment Account:						
Amounts by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements.	(953)					953
Adjustments involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	6,980					(6,980)
Employer's pensions contributions and direct payments to pensioners payable in the year						-
Adjustments involving the Collection Fund Adjustment Account:						
Amount by which council tax and non domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non domestic rating income calculated for the year in accordance with statutory requirements	243					(243)
Adjustment involving the Available for Sale Reserve						
Gain/loss on revaluation of investments	300					(300)
Adjustment involving the Accumulating Compensated Absences Adjustment Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	574					(574)
Total Adjustments	**(52,624)**	**(3,135)**	**-**	**4,104**	**-**	**51,655**

2013/2014	Usable Reserves: General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Reserves £000	Movement in Unusable Reserves £000
Adjustments involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non current assets	(65,110)	(2,820)				67,930
Capital grants and contributions applied	23,977					(23,977)
Revenue expenditure funded from capital under statute	(2,159)					2,159
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(40,050)					40,050
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of investment						-
Capital expenditure charged against the General Fund and HRA balances	8,996					(8,996)
Adjustments involving the Capital Receipts Reserve:						
Contribution from Capital Reserves			(249)			249
Adjustment involving the Major Repairs Reserve						
Reversal of Major Repairs Allowance credited to the HRA						-
Use of the Major Repairs Reserve to finance new capital expenditure				4,219		(4,219)
Adjustments involving the Financial Instruments Adjustment Account:						
Amounts by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements.	18					(18)
Adjustments involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	8,475					(8,475)
Employer's pensions contributions and direct payments to pensioners payable in the year	(7,550)					7,550
Adjustments involving the Collection Fund Adjustment Account:						
Amount by which council tax and non domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non domestic rating income calculated for the year in accordance with statutory requirements	2,660					(2,660)
Adjustment involving the Available for Sale Reserve						
Gain/loss on revaluation of investments	400					(400)
Adjustment involving the Accumulating Compensated Absences Adjustment Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	843					(843)
Total Adjustments	**(69,500)**	**(2,820)**	**(249)**	**4,219**	**-**	**68,350**

8. TRANSFERS TO/FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund and HRA balances in Earmarked Reserves to provide financing for future expenditure plans and the amounts posted back from Earmarked Reserves to meet General Fund and HRA expenditure in 2014/2015.

	Balance at 1st April 2013 £000	Transfers Out 2013/2014 £000	Transfers In 2013/2014 £000	Balance at 31st March 2014 £000	Transfers Out 2014/2015 £000	Transfers In 2014/2015 £000	Balance at 31st March 2015 £000
General Fund:							
Balances held by schools under scheme of delegation (1)	(5,448)	2,283	(1,044)	(4,209)	3,156	(1,923)	(2,976)
School DSG Underspend (1)	-	-	-	-	-	(2,078)	(2,078)
Unallocated Reserves	(5,735)	-	(134)	(5,869)	-	(319)	(6,188)
Total General Fund	**(11,183)**	**2,283**	**(1,178)**	**(10,078)**	**3,156**	**(4,320)**	**(11,242)**
Earmarked Reserves							
Potential Pay Liabilities	(8,410)	2,208	(699)	(6,901)	3,681	(11)	(3,231)
Public/Private Partnership Reserve	(12,090)	-	(3,338)	(15,428)	3,770	(5,692)	(17,350)
Council Tax & Non-Domestic Rates Deficits	(6,971)	2,220	(4,971)	(9,722)	4,604	(7,157)	(12,275)
Service Underspends	(3,939)	200	-	(3,739)	4,648	(2,800)	(1,891)
Specific Settlements in Dispute	(1,582)	-	(25)	(1,607)	1,060	-	(547)
Strategic Investments	(720)	100	-	(620)	300	-	(320)
Financial systems upgrade, renewals & replacements	(467)	110	-	(357)	106	-	(251)
Financial Instruments	(547)	-	-	(547)	533		(14)
Treasury Management - Prudential borrowing	(1,669)	-	(203)	(1,872)	240	(885)	(2,517)
Insurances	(1,506)	1,506	-	-			-
Other	(6,079)	2,453	(5,552)	(9,178)	7,279	(5,729)	(7,628)
Total Earmarked Reserves	**(43,980)**	**8,797**	**(14,788)**	**(49,971)**	**26,221**	**(22,274)**	**(46,024)**
HRA							
Housing Revenue Account	**(3,388)**	**-**	**(799)**	**(4,187)**	**-**	**(1,430)**	**(5,617)**

1. Such balances are committed to be spent on the Education Service.

9. OTHER OPERATING EXPENDITURE

2013/2014 £000		2014/2015 £000
65	Flood Defence Levy	65
249	Payments to the Government Housing Capital Receipts Pool	272
40,462	Gains/losses on the disposal of non-current assets	53,504
40,776	**Total**	**53,841**

10. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2013/2014 £000		2014/2015 £000
6,764	Interest payable and similar charges	7,454
(4,872)	Net interest on the net defined benefit liability (asset)	(6,009)
(507)	Interest receivable and similar income	(533)
(500)	Dividend - Blackpool Transport Services	(600)
4,658	Waste PFI Financing Charges	1,592
5,543	**Total**	**1,904**

11. TAXATION AND NON SPECIFIC GRANT INCOME

2013/2014 £000		2014/2015 £000
(44,983)	Council Tax Income	(45,351)
(1,753)	Collection Fund (surplus)/deficit	1,154
(23,682)	Retained Business Rates	(23,638)
(18,444)	Business Rates Top Up	(18,804)
(64,031)	Non-ringfenced government grants	(55,497)
(23,977)	Capital Grants & contributions	(16,135)
(176,870)	**Total Taxation and Non-Specific Grant Income**	**(158,271)**

12. PROPERTY PLANT AND EQUIPMENT (PPE)

The movements on property, plant and equipment during the year were as follows:-

2014/2015

	Council Dwellings & Other HRA £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	PP&E Under Construction £000	Total PP&E £000	*PFI Assets Included in PPE £000*
Cost or Valuation								
Balance as at 1 April 2014	**98,545**	**372,544**	**35,841**	**434,492**	**66**	**10,631**	**952,119**	*89,641*
Additions	11,817	6,186	2,597	18,554	-	2,755	**41,909**	*677*
Revaluation increases/decreases to Revaluation Reserve	-	1,343	-	677	-	-	**2,020**	*677*
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	(6,566)	(3,323)	-	-	-	-	**(9,889)**	
Derecognition - Disposals	(670)	(64,553)	-	-	-	(1,444)	**(66,667)**	
Transfer	-	1,156	-	-	-	-	**1,156**	*(35,126)*
Balance as at 31 March 2015	**103,126**	**313,353**	**38,438**	**453,723**	**66**	**11,942**	**920,648**	*55,869*
Depreciation and Impairment								
Balance as at 1 April 2014	**(2,133)**	**(12,943)**	**(25,640)**	**(100,955)**	**-**	**-**	**(141,671)**	*(3,020)*
Depreciation Charge	(2,274)	(9,840)	(2,739)	(14,885)			**(29,738)**	*(2,113)*
Depreciation written out on Revaluation Reserve	-	4,340					**4,340**	
Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services	2,133	955					3,088	
Derecognition - Disposals	-	3,175					**3,175**	
Derecognition - Other	-	-					-	*703*
Balance as at 31 March 2015	**(2,274)**	**(14,313)**	**(28,379)**	**(115,840)**	**-**	**-**	**(160,806)**	*(4,430)*
Net Book Value								
Balance as at 31 March 2015	**100,852**	**299,040**	**10,059**	**337,883**	**66**	**11,942**	**759,842**	*51,439*
Balance as at 31 March 2014	**96,412**	**359,601**	**10,201**	**333,537**	**66**	**10,631**	**810,448**	*86,621*

COMPARATIVE MOVEMENTS 2013/2014

	Council Dwellings & Other HRA £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	PP&E Under Construction £000	Total PP&E £000	*PFI Assets Included in PPE £000*
Cost or Valuation								
Balance as at 1 April 2013	**94,526**	**375,908**	**31,073**	**430,937**	**66**	**30,032**	**962,542**	*82,341*
Additions	11,337	27,849	4,768	23,970	-	18,607	**86,531**	*6,600*
Revaluation increases/decreases to Revaluation Reserve	-	(6,092)	-	699	-	-	**(5,393)**	
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	(6,440)	(38,175)	-	-	-	-	**(44,615)**	*700*
Derecognition - Disposals	(878)	(40,849)	-	-	-	(5,330)	**(47,057)**	-
Transfer	-	53,903	-	(21,114)	-	(32,678)	**111**	-
Balance as at 31 March 2014	**98,545**	**372,544**	**35,841**	**434,492**	**66**	**10,631**	**952,119**	*89,641*
Depreciation and Impairment								
Balance as at 1 April 2013	**(2,185)**	**(13,374)**	**(22,976)**	**(85,662)**	**-**	**-**	**(124,197)**	*(1,350)*
Depreciation Charge	(2,133)	(11,335)	(2,664)	(15,293)	-	-	**(31,425)**	*(1,670)*
Depreciation written out on Revaluation Reserve	-	4,006	-	-	-	-	**4,006**	-
Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services	2,185	4,568	-	-	-	-	6,753	-
Derecognition - Disposals	-	3,192	-	-	-	-	**3,192**	-
Derecognition - Other							-	-
Balance as at 31 March 2014	**(2,133)**	**(12,943)**	**(25,640)**	**(100,955)**	**-**	**-**	**(141,671)**	*(3,020)*
Net Book Value								
Balance as at 31 March 2014	**96,412**	**359,601**	**10,201**	**333,537**	**66**	**10,631**	**810,448**	*86,621*
Balance as at 31 March 2013	**92,341**	**362,534**	**8,097**	**345,275**	**66**	**30,032**	**838,345**	*80,991*

Depreciation

The following assets have been depreciated at varying rates in relation to their useful economic lives:

- Council Dwellings and Other Buildings – straight line allocation over the useful life of the property as estimated by the valuer.
- Plant, Furniture and Equipment – a percentage of the value of each class of asset in the Balance Sheet as advised by a suitably qualified officer
- Infrastructure - straight line allocation over 25 years

The useful economic lives are reviewed at least every four years as is the likely residual value.

Where an item of Property, Plant and Equipment asset has major components whose cost is at least 20% of the total cost of the item, the components are depreciated separately. Only items with a value in excess of £1m were deemed material for component accounting.

Capital Commitments

At 31st March 2015, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2015/2016 and future years budgeted to cost £3m. Similar commitments at 31st March 2014 were £8m. The major commitment in relation to the Queens Park re-development.

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every four years. Valuations were carried out both internally and externally during 2014/2015. These valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

The significant assumptions in estimating fair values are:-

	Council Dwellings £000	**Other Land & Buildings £000**	**Vehicles, Plant & Equipment £000**	**Surplus Assets £000**	**Total £000**
Carried at Historic Cost			38,439	763	39,202
Valued at fair value as at:					
31/03/2015	98,578	79,246			177,824
31/03/2014		149,803			149,803
31/03/2013		50,137			50,137
31/03/2012		34,167			34,167
Total Cost or Valuation	**98,578**	**313,353**	**38,439**	**763**	**451,133**

Component Accounting

Council Dwellings

Within the Net Book Value of Assets – Council Dwellings (Note 12) are the following assets which have been accounted for on a component basis. This means they are written off according to their own unique economic life.

Asset Type £000	Land £000	Kitchens and Bathrooms £000	Structure £000	**Total** £000
Houses & Bungalows	16,665	3,214	27,257	**47,136**
Flats	21,827	6,847	21,962	**50,636**
Total	**38,492**	**10,061**	**49,219**	**97,772**

Other Land and Buildings

Items valued at £1m and above have been subject to component accounting. A component must be worth at least 20% of the value of the asset. The valuations are on a 4 year rolling programme, the items valued in 2014/2015 and are now included on a component basis are shown below. The total value of assets within land and buildings that have been valued on a component basis is £78.9m and this represents 26% of the total land and buildings.

Asset	**Land £000**	**Building £000**	**Machinery / Equipment £000**	**Roofs / Fenestration £000**	**Total £000**
Marton Mere caravan park	5,580	-	-	-	**5,580**
Gorton St Sports Barn	200	479	287	192	**1,158**
Moor Park Primary	550	1,410	850	560	**3,370**
Stanley Primary	340	2,375	1,430	945	**5,090**
Stanley Park Sports Centre	290	2,165	1,300	865	**4,620**
My Place	65	1,890	1,160	735	**3,850**
Palatine Library	70	700	420	280	**1,470**
Palatine Sports Centre	500	2,590	3,235	645	**6,970**
Claremont Primary	210	1,008	603	405	**2,226**
Leys Road	1,650	-	-	-	**1,650**
Coastal House	432	454	302	252	**1,440**
Bickerstaffe House	1,000	7,345	4,407	2,938	**15,690**
Blackpool Tower	2,580	10,449	6,966	5,805	**25,800**
Total	**13,467**	**30,865**	**20,960**	**13,622**	**78,914**
Depreciation rates	Nil	2%	8%	4%	

13. HERITAGE ASSETS

Reconciliation of the carrying value of heritage assets held by the Authority is as follows;

	Art Collection	Civic Regalia	Other	Tower & Local History Collection	Illuminations	Stanley Park Statues	**Total**
	£000	£000	£000	£000	£000	£000	**£000**
Cost or Valuation 1st April 2014	5,000	591	120	900	500	653	**7,764**
Revaluations							-
Balance 31st March 2015	**5,000**	**591**	**120**	**900**	**500**	**653**	**7,764**

	Art Collection	Civic Regalia	Other	Tower & Local History Collection	Illuminations	Stanley Park Statues	**Total**
	£000	£000	£000	£000	£000	£000	**£000**
Cost or Valuation 1st April 2013	5,000	591	120	900	500	653	**7,764**
Revaluations	-	-	-	-	-	-	-
Balance 31st March 2014	**5,000**	**591**	**120**	**900**	**500**	**653**	**7,764**

Art Collection

The Authority's Art Collection has not been formally valued for a number of years but insurance valuations have been used for the Balance Sheet.

Civic Regalia

The Authority's civic regalia was valued as at 31st March 2012 by an external valuer. The valuations were based on commercial markets.

Cenotaph

This was previously classed as a community asset and is valued by external valuers every 4 years.

Tower & Local History Collection

This has been valued by the Head of Heritage as at 31st March 2012.

Illuminations

These assets have been valued by the Illuminations Manager as at 31st March 2012

Statues

Insurance valuations have been used for the purposes of valuing these assets. The valuations are as at 31st March 2012.

14. INVESTMENT PROPERTIES

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

2013/2014 £000		2014/2015 £000
(925)	Rental income from investment property	(973)
2,447	Direct operating expenses arising from investment property	2,427
7,218	Net (gains)/losses from fair value adjustments	96
8,740	**Net (gain)/loss**	**1,550**

There are no restrictions on the Authority's ability to realise the value of its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance and enhancement.

The following table summarises the movement in the fair value of investment properties over the year.

2013/2014 £000		2014/2015 £000
11,685	Balance at start of the year	13,450
	Additions:	
338	- Purchases	44
(431)	Disposals	-
(122)	Net gains/(losses) from fair value adjustments	(96)
1,980	Other Changes	-
13,450	**Balance at end of the year**	**13,398**

15. INTANGIBLE ASSETS

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include purchased software licenses.

All software is given a finite useful life based on the assessments of the period that the software is expected to be of use to the Authority. The useful lives assigned to major software suites used by the Authority are 5 years.

The carrying amount of intangible assets is amortised on straight line basis. The amortisation of £32,341 charged to revenue in 2014/2015 was charged to the ICT Administration cost centre and then absorbed as an overhead across all the service headings in the Cost of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

The movement in intangible asset balances during the year is as follows:

2013/2014 £000		2014/2015 £000
162	**Balance at start of year**	**129**
(33)	Amortisation for period	(32)
129	**Net carrying amount at end of year**	**97**
	Comprisng:	
162	Gross carrying amounts	129
(33)	Accumulated amortisation	(32)

16. ASSETS HELD FOR SALE

2013/2014 £000		2014/2015 £000
3,350	**Balance outstanding at start of year**	**482**
(308)	Revaluation gains/(losses)	129
(160)	Impairment losses	(134)
	Assets declassified as held for sale:	
(2,400)	Property, plant and equipment	286
482	**Balance outstanding at end of year**	**763**

17. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

The following categories of financial instruments are carried in the Balance Sheet:

	Long Term		Current	
	31st March 2015 £000	31st March 2014 £000	31st March 2015 £000	31st March 2014 £000
Investments				
Loans and receivables	2,500	2,500	3,055	2,578
Unquoted equity investment at cost*	10,204	9,900	-	-
Total Investments	**12,704**	**12,400**	**3,055**	**2,578**
Debtors				
Financial assets carried at contract amounts	-	-	36,450	38,790
Total included in Debtors	**-**	**-**	**36,450**	**38,790**
Borrowings				
Financial liabilities at amortised cost	(88,574)	(98,434)	(52,815)	(41,500)
Total included in borrowings	**(88,574)**	**(98,434)**	**(52,815)**	**(41,500)**
Creditors				
Financial liabilities carried at contract amount	(81,899)	(81,061)	(41,713)	(51,940)
Total creditors	**(81,899)**	**(81,061)**	**(41,713)**	**(51,940)**

*= shares in Blackpool Transport Services, Blackpool Airport and Municipal Bonds Agency.

Material Soft Loan made by the Authority to Lancashire County Developments

Upon Local Government Reorganisation in 1998 the Authority took over a 10% share in a loan made to Lancashire County Developments by Lancashire County Council. The loan is now due to be repaid in 2031. Under requirements of IAS 32 this loan has been revalued to fair value. The original amount of the loan was £721,000. The fair value of the loan in 2014/2015 was £356,279 (£340,459 in 2013/2014).

The interest rate at which the fair value of this soft loan has been made is arrived at by taking the authority's prevailing cost of borrowing and adding an allowance for the risk that the loan might not be repaid, in this case a zero rate.

Employee Car Loans
The authority has made loans for car purchase to 13 employees in the authority who are in posts that require them to drive regularly on the authority's business. Interest is charged on the loans at 5.5%.

	2014/2015 £000	2013/2014 £000
Balance at start of year	**48**	**91**
New loans granted in year	31	6
Loans repaid	(42)	(49)
Balance at end of year	**37**	**48**

Income, Expense, Gains and Losses

(1) Available for Sale Assets – The Authority holds all of the shares in Blackpool Transport Services Ltd which operates buses and trams within the Blackpool area. The shares cost £2,789,000. The fair value of the shares, based on the accounts to 31st March 2015 is £9.5m.

	2014/2015				2013/2014			
	Financial Liabilities measured at amortised cost £'000	Financial Assets - loans & receivables £'000	Financial Assets - Available for Sale £'000	Total £'000	Financial Liabilities measured at amortised cost £'000	Financial Assets - loans & receivables £'000	Financial Assets - Available for Sale £'000	Total £'000
Interest expense	7,454	-	-	**7,454**	6,749	-	-	**6,749**
Total expense in Surplus or Deficit on the Provision of Services	**7,454**	**-**	**-**	**7,454**	**6,749**	**-**	**-**	**6,749**
Interest income	-	(533)	-	**(533)**	-	(507)	-	**(507)**
Total income in Surplus or Deficit on the Provision of Services	**-**	**(533)**	**-**	**(533)**	**-**	**(507)**	**-**	**(507)**
Gains on revaluation	-	-	300	300	-	-	400	400
Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	**-**	**-**	**300**	**300**	**-**	**-**	**400**	**400**
Net gain/(loss) for the year	**7,454**	**(533)**	**300**	**7,221**	**6,749**	**(507)**	**400**	**6,642**

Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- Estimated ranges of interest rates at 31st March 2015 of 1.67% to 9.5% for loans from the PWLB and 3.9% to 9.75% for other loans receivable and payable, based on new lending rates for equivalent loans at that date
- no early repayment or impairment is recognised
- where an instrument will mature in the next 12 months, carrying amount is assumed to be approximate to fair value
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated as follows:

	31st March 2015		31st March 2014	
	Carrying Amount £000	**Fair Value £000**	**Carrying Amount £000**	**Fair Value £000**
Financial Liabilities	140,838	141,389	139,934	162,388
Long term creditors	110,954	110,954	110,325	110,325

The fair value of the liabilities is higher than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2015) arising from a commitment to pay interest to lenders above current market rates.

	31st March 2015		31st March 2014	
	Carrying Amount £000	**Fair Value £000**	**Carrying Amount £000**	**Fair Value £000**
Loans and receivables	4,573	4,573	8,550	8,550
Long term debtors	10,623	10,258	10,942	10,561
Short term debtors	37,014	37,014	39,501	39,501

The fair value of the assets is lower than the carrying amount because the Authority's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is lower than the rates available for similar loans at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2015) attributable to the commitment to receive interest below current market rates.

Available for sale assets and assets and liabilities at fair value through profit and loss are carried in the Balance Sheet at their fair value. These fair values are based on public price quotations where there is an active market for the instrument.

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

18. LONG-TERM INVESTMENTS

31st March 2014 £000		31st March 2015 £000
	Ordinary Shares (£1 per share) in:-	
9,200	Blackpool Transport Services Ltd	9,500
700	5% Share in Blackpool Airport	700
0	Municipal Bonds Agency	4
9,900	**Total**	**10,204**

BLACKPOOL TRANSPORT SERVICES LIMITED

Investments in Blackpool Transport Services Limited consist of share capital (£2,789,000 at historic cost) in the company which was set up in accordance with the provisions of the Transport Act 1985 to operate the Council's municipal bus operation. The company provides a comprehensive passenger transport service in the Fylde coast area through its bus and tram operations. The Council leases the tramway and associated premises to Blackpool Transport Services Limited and as landlord is obliged to maintain the tramway and attend to exterior repairs to the depot and offices. The company is wholly owned by the Council.

The quoted market share prices, similar comparative companies and the audited accounts of Blackpool Transport Services have been used as the basis upon which to arrive at a formal valuation for the Council's shareholding of the company. The investment value included within the Council's Balance Sheet represents the value of Total Equity Shareholder Funds. In 2014/2015 there was an increase in value of £300,000. All profit and losses on revaluation are credited or charged to the Available for Sale Reserve via the Movement in Reserves Statement.

BLACKPOOL AIRPORT

Upon the sale of Blackpool Airport to City Hopper Airports the Council retained a 5% share in the Airport.

MUNICIPAL BONDS AGENCY

A Local Government Association backed firm called Local Capital Finance Company (Municipal Bonds Agency) has been formed to issue bonds. The money raised from investors will then lend onwards to Councils to either invest in capital projects or to refinance existing loans. In 2014/2015 the Council purchased £4,000 worth of shares in the Company.

BLACKPOOL OPERATING COMPANY LTD (SANDCASTLE WATERPARK)

The Council purchased the operation of the centre from a private company on 20th June 2003 and now wholly owns both the building and the commercial operator - Blackpool Operating Company Limited (BOC). The Council's shares in Blackpool Operating Company are valued at £2.

As 100% shareholders Blackpool Council agrees to meet all accumulated deficits or losses of Blackpool Transport Services Limited and Blackpool Operating Company.

BLACKPOOL ENTERTAINMENT COMPANY

The Council purchased the operation of the Winter Gardens from a private company on 16th May 2014 and now wholly owns both the building and the commercial operator - Blackpool Entertainment Company Limited (BECL). The Council's shares in BECL are valued at £1.

BLACKPOOL HOUSING COMPANY

Blackpool Housing Company Limited was set up on 26th January 2015. The company is a housing regeneration company and is wholly owned by the Council. At 31st March 2015 the company had not started trading. The Council's shares in the company are valued at £1.

GLOBAL RENEWABLES LANCASHIRE OPERATIONS LIMITED (GRLOL)

On the 31st July 2014 Lancashire County Council and Global Renewables Lancashire Limited agreed to the consensual termination of the Waste Disposal PFI contract. The former operating company, GRLOL, transferred into the ownership of Lancashire County Council with Blackpool Council due to receive 12.5% of the shares in that company on signature of a Deed of variation to the Joint Working Arrangement between the two Authorities. (The consideration paid for the shareholding of GRLOL by LCC was £1.)

19. LONG-TERM DEBTORS

Long-term debtors relate to amounts that are due to be repaid in over twelve months time. These include a share in land held for use under what was formerly the Lancashire Waste Disposal contract, care and repair loans and staff car loans.

31st March 2014 £000		31st March 2015 £000
552	Waste Disposal Site (prev PFI)	552
221	Care & Repair Loans	221
34	Car Loans	33
40	Marketing Lancashire	40
340	Lancashire County Developments	356
268	Business Loans	360
5,000	Blackpool Pleasure Beach	5,000
88	HRA - Loan	0
24	Council Mortgages - (Right to Buy)	19
2,500	Local Authority Mortgage Scheme	2,500
300	VIA	300
1,194	Adult Social Care Deferred Payments	877
10,561	**Total**	**10,258**

Waste Disposal Site

The total value of land held under the Waste Disposal contract at current market value is estimated at £4.415m. Under the terms of the Joint Working Agreement, Blackpool Council will be due a 12.5% share of this at the end of the contract.

Care and Repair Loans

These are loans to council tenants for home improvements and repairs to be paid back over a number of years.

Car Loans

The number of outstanding long-term car loans at 31st March 2015 was 7 (14 as at 31 March 2014). See note 17 for breakdown.

Lancashire and Blackpool Tourist Board

The loan to Lancashire and Blackpool Tourist Board was issued in January 2008. The loan is interest free and due to be repaid in January 2018.

Lancashire County Developments

The loan to Lancashire County Developments is due to be repaid in 2031. Under the requirements of IAS 32 this loan has been revalued to fair value. The original amount of the loan was £721,000. The fair value of the loan in 2014/2015 was £356,279 (£340,459 in 2013/2014). The movement in fair value of £15,820 has been charged to the Comprehensive Income and Expenditure Account and then transferred to the Financial Instruments Adjustment Account via Movement in Reserves. This does not affect the loan repayment due to the authority in 2031.

The car loans and loan to Lancashire and Blackpool Tourist Board have not been recalculated to fair value due to the immaterial amounts.

Business Loans

In 2009/2010 the Council set up a £3m fund for businesses to safeguard and create jobs and help Blackpool get through the recession. The aim of the fund is to provide a lifeline for local, normally sound businesses that are currently experiencing difficulty in getting finance from the banks because of the global slow down. These loans have been divided into four categories:

- Retail – loans of £5,000 to assist businesses and premises in a defined Town Centre Area
- Promenade – loans of £5,000 to help businesses situated between Central and North Pier
- Investment Fund – up to £150,000 loans for businesses that are growing or planning to invest in Blackpool thereby bringing new jobs to the town.
- Credit Crunch – this loan fund applies to good and sound businesses experiencing cash flow problems but not within other categories.

Two new loans totalling £227,839 were issued in 2014/2015.

Blackpool Pleasure Beach

In 2010/2011 the authority granted a loan of £5m to Blackpool Pleasure Beach towards the development of Nickelodeon Land. The loan is due to be repaid by September 2018 and interest is charged at the market rate.

Local Authority Mortgage Scheme

In 2011/2012 the authority advanced £1m with Lloyds Banking Group as part of the Local Authority Mortgage Scheme. This scheme is aimed at first time buyers within Blackpool and the advance reflects the authority's share of financial assistance through the provision of an indemnity. This indemnity will be in place for a fixed five-year period, at which point the advance will be returned to the authority.

In 2012/2013 the scheme was extended with a further £1m being advanced to Lloyds Banking Group and £500,000 advanced to Leeds Building Society.

VIA Loan

The loan to VIA was issued on 30th March 2014. The loan is to support the Company's cash flow commitments and provide a platform towards business development.

This is an interest only loan with a term of no more than 8 years with an interest rate of 4% for years 1 to 3, rising to 4.5% for years 4-8 to encourage early repayment.

Adult Social Care Deferred Payments Scheme

The Health & Social Care Act 2001 introduced the concept of a Deferred Payment Scheme. This legislation provides for the possibility of eligible service users putting off the sale of their home when they move into residential care and delaying the payment of the fees. Instead of paying the care home fees in full the resident will be financially assessed ignoring the value of the property and asked to contribute the lesser amount towards the cost of their care. The Council effectively provides an interest free loan and pays the difference between the amount contributed by the service user and the usual fee paid to the care home by the local authority.

The Council take out a legal charge on the service user's property. When the property is sold, the debt will usually be recovered in full. Interest is not charged on the amount due until 56 days after the person has died.

20. INVENTORIES

2014/2015	**Consumables £000**	**Materials £000**	**Work in Progress £000**	**Total £000**
Balance outstanding at start of the year	**214**	**299**	**94**	**607**
Purchases	61	1,909	-	**1,970**
Recognised as an expense in the year	(87)	(1,949)	(92)	**(2,128)**
Balance outstanding at year end	**188**	**259**	**2**	**449**

2013/2014	**Consumables £000**	**Materials £000**	**Work in Progress £000**	**Total £000**
Balance outstanding at start of the year	**214**	**351**	**185**	**750**
Purchases	68	1,692	1	**1,761**
Recognised as an expense in the year	(68)	(1,744)	(92)	**(1,904)**
Balance outstanding at year end	**214**	**299**	**94**	**607**

21. DEBTORS

31st March 2014 £000		**31st March 2015 £000**
6,691	Central government bodies	1,965
2,759	Other local authorities	825
486	NHS bodies	297
41,739	Other entities and individuals	50,177
(12,885)	Total impairment	(16,814)
38,790	**Net Value of Debtors**	**36,450**

22. PAYMENTS IN ADVANCE

31st March 2014 £000		**31st March 2015 £000**
137	Adult Services	101
2	Community & Environmental Services	5
363	Children's Services	334
1	Democratic Services	-
9	Deputy Chief Executive	86
199	Places	27
-	Resources	11
711	**Total Payments in Advance**	**564**

23. CASH AND CASH EQUIVALENTS

The balance of cash and cash equivalents is made up of the following elements:

31st March 2014 £000		31st March 2015 £000
197	Cash held by the Authority	434
4,053	Bank current accounts	(265)
2,604	Short term deposits with institutions	3,055
6,854	**Total**	**3,224**

24. RECEIPTS IN ADVANCE

31st March 2014 £000		31st March 2015 £000
(2,106)	Adult Services	(1,574)
(1,302)	Community & Environmental Services	(1,858)
(3,779)	Children's Services	(3,207)
(4)	Governance & Regulatory Services	(57)
(918)	Deputy Chief Executive	(1,002)
(1,600)	Places	(1,636)
(280)	Resources	(282)
(630)	Housing Revenue Account	(564)
(2,251)	Capital	(1,900)
(768)	Collection Fund	(630)
-	Public Health	(390)
(24)	Other	-
(13,662)	**Total Receipts in Advance**	**(13,100)**

25. CREDITORS

	Long term creditors		Short term creditors	
	31st March 2015 £000	31st March 2014 £000	31st March 2015 £000	31st March 2014 £000
Central Government Bodies	-	-	(3,452)	(7,094)
Other Local Authorities	-	-	(5,452)	(7,899)
NHS Bodies	-	-	(143)	(659)
Other Entities and Individuals	(81,899)	(81,061)	(32,666)	(36,288)
Total	**(81,899)**	**(81,061)**	**(41,713)**	**(51,940)**

26. PROVISIONS

	Injury and Damage Compensation Claims £000	Other Provisions £000	Total £000
Balance at 1 April 2014	**(2,748)**	**(11,294)**	**(14,042)**
Additional Provisions Made in 2014/2015	(11,584)	(12,592)	**(24,176)**
Amounts Used in 2014/2015	11,209	11,226	**22,435**
Unused Amounts Reversed in 2014/2015	-	(2,051)	**(2,051)**
Balance at 31 March 2015	**(3,123)**	**(14,711)**	**(17,834)**

	Injury and Damage Compensation Claims £000	Other Provisions £000	Total £000
Balance at 1 April 2013	**(569)**	**(9,421)**	**(9,990)**
Additional Provisions Made in 2013/2014	(2,179)	(5,503)	**(7,682)**
Amounts Used in 2013/2014	-	2,130	**2,130**
Unused Amounts Reversed in 2013/2014	-	1,500	**1,500**
Balance at 31 March 2014	**(2,748)**	**(11,294)**	**(14,042)**

Outstanding legal cases

Injury Compensation Claims

Most of the injury compensation claims are individually insignificant. Significant claims are detailed in Note 3. They relate to personal injuries sustained where the Authority is alleged to be at fault (e.g. through failure to repair a road or pavement properly). Provision is made for those claims where it is deemed probable that the Authority will have to make settlement, based on past experience of court decisions about liability and the amount of damages payable. All outstanding claims are expected to be settled by 2015/2016. The Authority may be reimbursed by its insurers, but until claims are actually settled no income is recognised.

Other provisions

These represent amounts set aside to meet potential future liabilities. This includes a provision for Business Rate Appeals.

27. USABLE RESERVES

31st March 2014 £000		31st March 2015 £000
(4,209)	Schools Reserves	(5,054)
(5,869)	Unallocated General Fund Reserves	(6,188)
(4,187)	Housing Revenue Account	(5,617)
(49,971)	Earmarked Revenue Reserves	(46,024)
(3,408)	Capital Receipts Reserve	(3,431)
-	Major Repairs Reserve	-
(6,993)	Capital Reserves	(4,388)
(74,637)	**Total Usable Reserves**	**(70,702)**

28. UNUSABLE RESERVES

31st March 2014 £000		31st March 2015 £000
(71,640)	Revaluation Reserve	(69,429)
(7,111)	Available for Sale Financial Instrument Reserve	(7,411)
(410,350)	Capital Adjustment Account	(366,000)
891	Financial Instruments Adjustment Account	1,844
162,730	Pensions Reserve	224,959
1,288	Collection Fund Adjustment Account	2,073
2,086	Accumulated Absences Account	1,511
(322,106)	**Total Unusable Reserves**	**(212,453)**

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2013/2014 £000		2014/2015 £000
(85,353)	**Balance at 1st April**	**(71,640)**
-	Upward revaluation of assets	-
5,701	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(2,148)
(4,006)	Difference between fair value depreciation and historical cost depreciation	(4,341)
3,679	Accumulated gains on assets sold or scrapped	7,925
8,339	Amount written off to the Capital Adjustment Account	775
(71,640)	**Balance at 31st March**	**(69,429)**

Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Authority arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- Revalued downwards or impaired and the gains are lost
- Disposed of and the gains are realised

2013/2014 £000		2014/2015 £000
(6,711)	**Balance at 1st April**	**(7,111)**
(400)	Upward revaluation of investments	(300)
(7,111)	**Balance at 31st March**	**(7,411)**

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or subsequent costs as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2013/2014 £000		2014/2015 £000
(461,941)	**Balance at 1st April**	**(410,350)**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
53,511	- Charges for depreciation and impairment of non-current assets	27,494
(1,230)	- Revaluation losses on PPE	(775)
369	- Revenue expenditure funded from capital under statute	158
40,928	Adjusting amounts written out of the Revaluation Reserve	54,124
93,578	Net written out amount of the cost of non-current assets consumed in year	81,001
	Capital financing applied in year:	
(304)	- Use of the Capital Receipts Reserve to finance new capital expenditure	(2,422)
(4,219)	- Use of the Major Repairs Reserve to finance new capital expenditure	(4,104)
	- Capital grants and contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to HRA Self Financing	
(30,815)	- Application of grants to capital financing from the Capital Grants Unapplied Account	(22,250)
(6,649)	- Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(7,875)
(410,350)	**Balance at 31st March**	**(366,000)**

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

2013/2014 £000		2014/2015 £000
873	**Balance at 1st April**	**891**
18	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	953
891	**Balance at 31st March**	**1,844**

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resource set aside to meet costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2013/2014 £000		2014/2015 £000
211,666	**Balance at 1st April**	**162,730**
(56,486)	Remeasurement of net defined liability	62,348
(7,550)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	119
15,100	Employer's pension contributions and direct payments to pensioners payable in the year	(238)
162,730	**Balance at 31st March**	**224,959**

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and business rate income in the Comprehensive Income and Expenditure Statement as it falls due from the council tax and business rate payers compared with statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2013/2014 £000		2014/2015 £000
1,663	**Balance at 1st April**	**1,288**
(375)	Amount by which council tax and non-domestic rates credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rate income calculated for the year in accordance with statutory requirements	785
1,288	**Balance at 31st March**	**2,073**

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year eg annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2013/2014 £000		2014/2015 £000
2,929	**Balance at 1st April**	**2,086**
(2,929)	Settlement or cancellation of accrual made at the end of the preceding year	(2,086)
2,086	Amounts accrued at the end of the current year	1,511
2,086	**Balance at 31st March**	**1,511**

29. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

2013/2014 £000		2014/2015 £000
(507)	Interest Received	(533)
6,764	Interest Paid	7,454
(500)	Dividend Received	(600)

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

2013/2014 £000		2014/2015 £000
(72,691)	Depreciation/Impairment charges to CIES	(33,077)
925	Pension Liability	6,980
8,996	Minimum Revenue Provision	9,361
9,145	Contributions to/from reserves	6,133
(2,475)	Increase/(decrease) in Payments in Advance	(147)
294	Increase/(decrease) in Debtors	5,495
(143)	Increase/(decrease) in Inventories	(158)
(4,052)	(Increase)/decrease in Provisions	(8,911)
(3,905)	(Increase)/decrease in Creditors	7,784
(4,722)	(Increase)/decrease in Creditors over 1 year	(838)
9,289	(Increase)/decrease in Receipts in Advance	(207)
(4,662)	Other non-cash items charged to the net surplus or deficit on the provision of services	(1,007)
(64,001)	**Total**	**(8,592)**

The surplus or deficit on the provision of services has been adjusted for the following items that are investing or financing activities:

2013/2014 £000		2014/2015 £000
23,977	Capital grants credited to the surplus or deficit on the provisions of services	16,136
(34,720)	Proceeds from the sale of property, plant and equipment investment property and intangible assets	(53,504)
(21,022)	Biiling Authorities - Collection Fund adjustments	(24,793)
(31,765)	**Total**	**(62,161)**

30. CASH FLOW STATEMENT - INVESTING ACTIVITIES

31st March 2014 £000		31st March 2015 £000
68,266	Purchase of property, plant & equipment, investment property and intangible assets	39,197
20,767	Other payments for investing activities	4,876
(303)	Proceeds from sale of property, plant and equipment, investment property and intangible assets	(2,431)
(33,762)	Capital Grants received	(23,001)
(19,654)	Other receipts from investing activities	-
35,314	**Net cash flows from investing activities**	**18,641**

31. CASH FLOW STATEMENT – FINANCING ACTIVITIES

31st March 2014 £000		31st March 2015 £000
(127,067)	Cash receipts of short and long term borrowing	(103,051)
(1,722)	Other receipts from financing activities	-
100,453	Repayments of short and long term borrowing	102,147
(266)	Other payments for financing activities	1,038
(28,602)	**Net cash flows from financing activities**	**134**

32. CASH FLOW STATEMENT – CASH & CASH EQUIVALENTS

	31st March 2015 £000	31st March 2014 £000	Movement £000
Cash in Hand & at Bank	469	197	272
Bank overdrawn	(309)	4,052	(4,361)
Short term borrowing	(46,500)	(41,500)	(5,000)
Short term investments	3,405	2,578	827
Long term borrowing	(94,338)	(98,433)	4,095
Loan to BID	9	26	(17)
Business loans	5,860	5,568	292
Balance at 31 March	**(131,404)**	**(127,512)**	**(3,892)**

33. AMOUNTS REPORTED FOR RESOURCES ALLOCATION DECISIONS

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Council's Executive Committee on the basis of budget reports analysed across the departments. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- No charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- The cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year

- Expenditure on some support services is budgeted for centrally and not charged to directorates.

The income and expenditure of the Authority's departments recorded in the budget reports for the year is as follows:

Income & Expenditure	**Chief Executive**	**Deputy Chief Executive**	**Governance & Regulatory**	**Resources**	**Places**	**Community & Environmental Services**	**Public Health**	**Adult Services**	**Children's Services**	**Budgets Outside Cash Limit**	**Total**
2014/2015	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£0**	**£000**	**£000**	**£000**	**£000**
Fees, charges & other income	13	3,158	2,965	4,982	8,666	16,381	211	21,257	16,145	9,691	**83,469**
Government grants	0	31	90	1,801	377	2,816	17,978	3,237	69,169	86,130	**181,629**
Recharges to services	0	7,029	0	15,900	1,193	9,157	0	124	17	3,280	**36,700**
Total Income	**13**	**10,218**	**3,055**	**22,683**	**10,236**	**28,354**	**18,189**	**24,618**	**85,331**	**99,101**	**301,798**
Employee expenses	385	4,713	2,157	11,072	7,416	16,374	1,196	17,151	62,212	3,182	**125,858**
Other expenses	75	4,825	2,083	12,138	10,128	54,754	16,646	50,830	53,864	111,029	**316,372**
Support services recharges	51	764	697	3,369	1,476	3,226	343	2,876	7,644	4,215	**24,661**
Total Expenditure	**511**	**10,302**	**4,937**	**26,579**	**19,020**	**74,354**	**18,185**	**70,857**	**123,720**	**118,426**	**466,891**
Net Expenditure	**498**	**84**	**1,882**	**3,896**	**8,784**	**46,000**	**(4)**	**46,239**	**38,389**	**19,325**	**165,093**

Income & Expenditure 2013/2014	Chief Executive £000	HR, Comm & Engagement £000	Democratic Services £000	Treasurer Services £000	Built Environment £000	Regeneration, Tourism & Culture £000	Leisure & Operational £000	Public Health £000	Adult Services £000	Children's Services £000	Budgets Outside Cash limit £000	Total £000
Fees, charges & other income	13	1,644	678	4,360	7,031	5,265	14,510	17,665	19,323	10,730	11,604	**92,823**
Government grants	0	35	0	4,948	403	193	2,635	0	255	92,447	89,767	**190,683**
Recharges to services	0	7,357	0	15,703	1,841	0	6,325	0	90	3,056	3,385	**37,757**
Total Income	**13**	**9,036**	**678**	**25,011**	**9,275**	**5,458**	**23,470**	**17,665**	**19,668**	**106,233**	**104,756**	**321,263**
Employee expenses	336	5,039	1,667	11,880	12,059	4,759	9,948	1,191	20,314	83,290	854	**151,337**
Other expenses	26	3,503	1,369	13,420	22,518	12,040	36,269	16,168	45,242	50,690	117,864	**319,109**
Support services recharges	53	601	667	3,525	1,974	684	2,185	343	3,102	14,669	4,434	**32,237**
Total Expenditure	**415**	**9,143**	**3,703**	**28,825**	**36,551**	**17,483**	**48,402**	**17,702**	**68,658**	**148,649**	**123,152**	**502,683**
Net Expenditure	**402**	**107**	**3,025**	**3,814**	**27,276**	**12,025**	**24,932**	**37**	**48,990**	**42,416**	**18,396**	**181,420**

Reconciliation of the Departments Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of department income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

31st March 2014 £000		31st March 2015 £000
181,420	Net expenditure in the department analysis	165,093
(894)	Net expenditure of services and support services not included in the analysis	1,834
7,101	Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(17,865)
187,627	**Cost of Service in Comprehensive Income and Expenditure Statement**	**149,062**

Reconciliation to the Subjective Analysis

This reconciliation shows how the figures in the analysis of department income and expenditure relate to a subjective analysis of Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2014/2015	Department Analysis	Services and Support services not in Analysis	Amounts not included in I&E	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000
Income						
Fees, charges & Other Income	83,469	22,044	(48,634)	56,879	973	**57,852**
Government Grants	181,629	29	-	181,658	114,075	**295,733**
Interest and investment income	-	-	(382)	(382)	(458)	**(840)**
Internal Recharges	36,700	-	-	36,700		**36,700**
Income from Council Tax	-	-	-	-	44,197	**44,197**
Total Income	**301,798**	**22,073**	**(49,016)**	**274,855**	**158,787**	**433,642**
Expenditure						
Employee expenses	125,858	(11)	-	125,847	-	**125,847**
Other Service Expenditure	341,033	23,918	(62,742)	302,209	2,427	**304,636**
Depreciation, amortisation and impairment	-	-	2,696	2,696	96	**2,792**
Interest Payable	-	-	(6,835)	(6,835)	7,456	**621**
Internal Recharges	-	-	-	-	-	**-**
Precepts & Levies	-	-	-	-	65	**65**
Payments to Housing Capital Receipts Pool	-	-	-	-	272	**272**
Gain / Loss on disposal of Non-Current Assets	-	-	-	-	53,504	**53,504**
Pension Interest Cost and return on assets	-	-	-	-	(6,009)	**(6,009)**
Total Expenditure	**466,891**	**23,907**	**(66,881)**	**423,917**	**57,811**	**481,728**
Net	**165,093**	**1,834**	**(17,865)**	**149,062**	**(100,976)**	**48,086**

2013/2014	Department Analysis	Services and Support services not in Analysis	Amounts not included in I&E	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000
Income						
Fees, charges & Other Income	92,823	1,254	6,580	100,657	-	**100,657**
Government Grants	190,683	-	-	190,683	106,453	**297,136**
Interest and investment income	-	-	(862)	(862)	1,007	**145**
Internal Recharges	37,757	-	-	37,757	-	**37,757**
Income from Council Tax	-	2,426	-	2,426	70,418	**72,844**
Total Income	**321,263**	**3,680**	**5,718**	**330,661**	**177,878**	**508,539**
Expenditure						
Employee expenses	151,337	242	-	151,579	-	**151,579**
Other Service Expenditure	319,109	2,544	(15,642)	306,011	13,376	**319,387**
Depreciation, amortisation and impairment	-	-	34,591	34,591	-	**34,591**
Interest Payable	-	-	(6,130)	(6,130)	6,764	**634**
Internal Recharges	32,237	-	-	32,237	-	**32,237**
Precepts & Levies	-	-	-	-	65	**65**
Payments to Housing Capital Receipts Pool	-	-	-	-	249	**249**
Gain / Loss on disposal of Non-Current Assets	-	-	-	-	40,485	**40,485**
Pension Interest Cost and return on assets	-	-	-	-	(4,872)	**(4,872)**
Total Expenditure	**502,683**	**2,786**	**12,819**	**518,288**	**56,067**	**574,355**
Net	**181,420**	**(894)**	**7,101**	**187,627**	**(121,811)**	**65,816**

34. TRADING OPERATIONS

The Authority has 3 trading units where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the authority or other organisations. Trading operations are incorporated into the Comprehensive Income and Expenditure Statement. The expenditure of these operations is allocated or recharged to headings in the Cost of Services.

	2014/2015 £000	2013/2014 £000
Building Maintenance		
Expenditure	1,465	1,453
Income	(1,163)	(1,174)
Net Expenditure	**302**	**279**
Vehicle Maintenance		
Expenditure	1,311	1,187
Income	(1,316)	(1,182)
Net Expenditure	**(5)**	**5**
Building Cleaning		
Expenditure	658	816
Income	(857)	(935)
Net Expenditure	**(199)**	**(119)**

Building Maintenance

Building Maintenance is the preferred contractor for the Council and Blackpool schools for the day to day maintenance of Council buildings and project work. The service maintains the Council's building stock through planned maintenance work and reactive repairs. The section also competes with the private sector for work.

Vehicle Maintenance

The Central Vehicle Maintenance Unit, as well as completing the routine servicing and maintaining of the Council's fleet of vehicles and plant, also conducts the routine and ad hoc testing of Blackpool's taxi fleet.

The service operates in a limited internal market where users are free to decide the quantity and type of work to be done based on prices quoted.

Building Cleaning

Building Cleaning are the sole cleaning provider for the Council's buildings and also compete for work in Blackpool schools.

The service is split into two areas: building cleaning and office porterage. The service provides cleaning for the town's bus and tram shelters and window cleaning for council properties and private customers.

35. ROAD CHARGING SCHEMES UNDER THE TRANSPORT ACT 2000

2013/2014 £000		2014/2015 £000
(1,437)	On-street parking operation surplus	**(1,527)**
	Utilised to Fund:	
6,199	Public Transport	5,280
553	Traffic Management & Road Safety	627
6,752	**Total Qualifying Expenditure**	**5,907**

Decriminalised Parking Enforcement (DPE) of on-street parking was introduced in November 2003 as part of the Local Transport Plan with the aim of reducing congestion and improving traffic management. The surplus arising from on street parking is used to defray qualifying expenditure. The use of DPE is governed by section 55 of the Road Traffic Regulation Act 1984, as amended from October 2004 by section 95 of the Traffic Management Act 2004. This specifies the use that DPE surpluses may be put to.

36. AGENCY SERVICES

The Authority provides payroll services for Chorley Borough Council, Fylde Borough Council, High Peak Community Housing, Blackpool Coastal Housing, Baines School, Claremont First Step Centre, Blackpool Grand Theatre, Blackpool Operating Company and a number of Academies. These organisations pay a management fee to the Council for the service. The total management fee received by the Council in 2014/2015 was £195,921 (2013/2014 £129,788). The management fee is based on the number of employees paid.

37. MEMBERS' ALLOWANCES

The Authority paid the following amounts to Members of the Council during the year.

2013/2014 £000		2014/2015 £000
464	Allowances	470
40	Expenses	47
504	**Total**	**517**

38. OFFICERS' REMUNERATION

The number of employees whose remuneration, excluding pension contributions was £50,000 or more in bands of £5,000 is set out below.

	Number in 2014/2015	Number in 2013/2014
£50,000 - £54,999	34	36
£55,000 - £59,999	22	32
£60,000 - £64,999	20	20
£65,000 - £69,999	14	14
£70,000 - £74,999	2	5
£75,000 - £79,999	3	9
£80,000 - £84,999	2	1
£85,000 - £89,999	3	4
£90,000 - £94,999	1	-
£95,000 - £99,999	2	3
£100,000 - £104,999	-	1
£105,000 - £109,999	2	2
TOTAL	**105**	**127**
Officers	72	78
Teachers	33	49

The remuneration paid to the Authority's senior officers is as follows:

Employees in Post 2014/2015

Post Holder Information	Salary £	Expense Allowance £	Compensation for loss of Office £	Benefits in Kind £	Total Excluding Pensions £	Employer Pension Contributions £	Total Including Pensions £
Chief Executive	98,593	963	-	56	99,612	12,127	111,739
Director of Resources *(Note G)*	84,412	-	-	922	85,334	10,383	95,717
Deputy Chief Executive *(Note H)*	76,547	963	-	230	77,740	9,415	87,155
Director of Place *(Note I)*	78,045	963	-	1,041	80,049	9,599	89,648
Director of Governance & Regulatory Services *(Note J)*	72,056	-	-	52	72,108	8,863	80,971
Director of Community & Environmental Services *(Note K)*	76,547	963	-	245	77,755	9,415	87,170
Director of Public Health	101,047	4,841	-	639	106,527	14,360	120,887
Assistant Chief Executive - Built Environment *(Note L)*	14,475	-	-	-	14,475	1,824	16,299
Assistant Chief Executive - Children's Services *(Note M)*	45,721	401	-	355	46,477	5,733	52,210
Assistant Chief Executive - Adult Services *(Note N)*	44,459	401	-	101	44,961	6,294	51,255
Director of People *(Note M)*	62,244	562	-	141	62,947	8,812	71,759
Deputy Director of People (Adult Services) *(Note O)*	82,909	963	-	-	83,872	10,198	94,070
TOTAL	**837,055**	**11,020**	**-**	**3,782**	**851,857**	**107,023**	**958,880**

Employees in Post 2013/2014							
Post Holder Information	**Salary**	**Expense Allowance**	**Compensation for loss of Office**	**Benefits in Kind**	**Total Excluding Pensions**	**Employer Pension Contributions**	**Total Including Pensions**
	£	**£**	**£**	**£**	**£**	**£**	**£**
Chief Executive	99,012	1,507	-	227	100,746	17,590	118,336
Assistant Chief Executive - Treasurer Services	84,418	-	-	1,268	85,686	14,917	100,603
Assistant Chief Executive - HR, Communication & Engagement	76,171	963	-	994	78,128	13,512	91,640
Assistant Chief Executive - Regen, Tourism & Culture	76,469	963	-	1,091	78,523	13,512	92,035
Assistant Chief Executive - Organisation, Property & IT - *to 30/9/13 (Note E)*	43,798	482	-	188	44,468	10,391	54,859
Assistant Chief Executive - Leisure & Operational	76,469	963	-	556	77,988	13,512	91,500
Assistant Chief Executive - Built Environment	87,596	-	-	375	87,971	15,479	103,450
Assistant Chief Executive - Children's Services	96,405	963	-	415	97,783	17,035	114,818
Assistant Chief Executive - Adult Services	96,857	793	-	684	98,334	13,706	112,040
Monitoring Officer	64,732	408	-	107	65,247	11,438	76,685
Director of Public Health	100,193	4,841	-	848	105,882	14,022	119,904
TOTAL	**902,120**	**11,883**	**-**	**6,753**	**920,756**	**155,114**	**1,075,870**

NOTES

A – Compensation for loss of office includes statutory redundancy pay. Statutory pension strain is included within employer pension contributions. Pension strain is the cost to the Council of the redundancy/retirement. It is not the amount received by the postholder.

B – Benefits in kind include travel & subsistence expenses, professional fees.

C – Expense Allowances include essential car user payments.

D – Salary includes a voluntary reduction for unpaid leave which commenced in April 2011

2013/2014

E – Following a restructure the post of Assistant Chief Executive Organisation, Property and IT was disestablished on 30th September 2013. Their contracted salary was £87,596.

F – From 1st April 2013 the Council took over the responsibility for Public Health Services.

2014/2015

G – Following a restructure in June 2014 the post of Assistant Chief Executive – Treasurer Services was renamed Director of Resources.

H - Following a restructure in June 2014 the post of Assistant Chief Executive – HR, Communication and

Engagement was renamed Deputy Chief Executive.
I - Following a restructure in June 2014 the post of Assistant Chief Executive – Regeneration, Tourism and Culture was renamed Director of Place.
J - Following a restructure in June 2014 the post of Monitoring Officer was renamed Director of Governance and Regulatory Services.
K - Following a restructure in June 2014 the post of Assistant Chief Executive – Leisure and Operational Services was renamed Director of Community and Environmental Services.
L – In May 2014 the post-holder of Assistant Chief Executive – Built Environment was seconded to Blackpool Coastal Housing. Their contracted salary was £88,957.
M – Following the resignation of the Assistant Chief Executive – Children's Services in September 2014 the post was disestablished. Their contracted salary was £97,903.
N –In September 2014 the post of Assistant Chief Executive – Adult Services was disestablished and the post-holder became the Director of People.
O – In September 2014 the post of Deputy Director of People (Adult Services) was established. Their contracted salary was £82,909.

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

Exit Package Cost by Band (incl Special Payments)	**Number of Exit Packages by Cost Band**		**Total Cost of Exit Packages in each Band**	
	2014/2015	**2013/2014**	**2014/2015 £000**	**2013/2014 £000**
£0 - £20,000	131	259	1,104	1,982
£20,001 - £40,000	17	32	458	890
£40,001 - £60,000	3	7	142	343
£60,001 - £80,000	-	3	-	214
£80,001 - £100,000	-	2	-	184
£100,001 - £150,000	-	1	-	127
Total	**151**	**304**	**1,704**	**3,740**

39. EXTERNAL AUDIT COSTS

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Authority's external auditors:

	2014/15 £000	2013/14 £000
Fees payable to auditors with regard to external audit services carried out by the appointed auditor	114	128
Fees payable to auditors in respect of statutory inspections	5	8
Fees payable to auditors for the certification of grant claims and returns	2	47
Total	**121**	**183**

40. DISCLOSURE OF DEPLOYMENT OF DEDICATED SCHOOLS GRANT

The Council's expenditure on schools is funded by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). An element of DSG is recouped by the Department to fund academy schools in the Council's area. DSG is ring-fenced and can only be applied to meet expenditure properly included in the schools budget as defined in the School Finance (England) Regulations 2011. The schools budget includes elements for a range of educational services provided on an authority wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2014/2015 are as follows:

	CENTRAL EXPENDITURE £000	ISB £000	TOTAL £000
DSG figure as issued by the Department in July 2014 (This does not include the Early Years January 2015 adjustment)			104,255
Academy figure recouped for 2014/15			44,231
Total DSG after Academy recoupment for 2014/15			60,024
B/F from 2013/14			3,272
C/F to 2015/16 agreed in advance			1,789
Agreed initial budget distribution in 2014/15	28,424	33,083	61,507
In year adjustments	(2,342)	0	(2,342)
Final budgeted distribution for 2014/15	26,082	33,083	59,165
Less Actual Central Expenditure	22,272		
Less Actual ISB deployed to Schools		33,083	
Plus Local authority contribution for 2014/15	0	0	0
C/F to 2015/16	3,810	0	3,810

41. GRANT INCOME

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2014/2015.

	2014/2015 £000	2013/2014 £000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	52,539	63,432
Council Tax Freeze Grant	613	598
Non-Domestic Rates Retained	23,638	23,682
Non-Domestic Rates Top Up	18,804	18,444
Capital Grants - Other	16,136	23,977
Total	**111,730**	**130,133**
Credited to Services		
Dedicated Schools Grant	57,682	79,301
Pupil Premium Grant	5,084	5,908
Housing & Council Tax Benefit Administration Subsidy	1,368	1,819
Rent Allowance Subsidy	74,465	76,253
Rent Rebates	13,252	13,496
Public Health Grant	17,946	17,457
Other Grants and Contributions	11,786	21,436
Total	**181,583**	**215,670**

The Authority has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the provider. The balances at year end are as follows:

Capital Grants Received in Advance	2014/2015 £000	2013/2014 £000
HCA	799	-
Tramway	61	-
Environment Agency grants	7,673	4,708
NHS Grants	36	7
Local Transport Plan	1,655	1,123
Empty Homes	1,064	1,313
Other Grants & Contributions	59	3,701
Total	**11,347**	**10,852**

42. RELATED PARTIES

In accordance with IAS 24 the Council is required to disclose material transactions with related parties, bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government

Central Government has significant control over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. housing benefits). Grants received from government departments are set out in the subjective analysis Note 33 on reporting for resource allocation decisions. Grant receipts outstanding at 31st March 2015 are shown on Note 41.

Members

The Council maintains a register of all members' disclosable pecuniary interests. Within 28 days of election, Councillors are legally required to inform the council's Monitoring Officer of any pecuniary interests they have. If a Councillor is present at a meeting of the authority, or any committee, subcommittee, joint committee or joint subcommittee of the authority, and has a disclosable pecuniary interest then, if that interest is not already registered, they must disclose that interest to the meeting and notify the Council's Monitoring officer to have that interest added to the register of interests.

The register of member's interests is open to public inspection as required by Section 29 of the Localism Act 2011. A copy of the register of members' interests is also available to view on the council's website. Where a member has a disclosable pecuniary interest they are precluded from taking any part in meetings or decisions related to their previously disclosed interest, unless an appropriate dispensation has been granted.

In respect of the 2014/15 financial year a number of council members had a controlling interest in a company, partnership, trust or entity. The controlling interest was by way of ownership, or as a director, member, trustee, governor or partner of an organisation. The existence of the procedures described above ensure that the council is able to both identify where a member has an interest, and take action to ensure that there is no participation in any decisions relevant to their interest. All major decisions are available for public scrutiny and challenge as part of the council's constitutional arrangements.

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2014/2015 is shown in Note 37.

Two Members of the Council have a private interest in a local taxi firm. The Council made payments to this organisation amounting to £230,000 in 2014/2015 to meet the Council's transport requirements.

A Member of the Council has a private interest in a housing association. The Council made payments to this charity amounting to £245,388 in 2014/2015 to meet the Council's homelessness requirements.

Three Members of the Council have a private interest in a local college of further education. The Council made payments to the organisation amounting to £416,997 to meet the Council's education requirements.

A Member of the Council has a private interest in a local care charity. The Council made payments to this charity amounting to £210,080 in 2014/2015 to meet the Council's adult social care and learning requirements.

These transactions were conducted at arms-length and in accordance with the Authority's financial regulations.

Details of all these transactions are recorded in the Register of Members Interest, open to the public inspection at the Town Hall during office hours.

Shared Service

On 1st April 2008 the Council entered into a shared service arrangement with Fylde Borough Council for the provision of a Benefits and Revenues Service. The full cost of the service in 2014/2015 was £4.171m of which £3.212m related to Blackpool.

Chief Officers

It is considered that transactions identified involving Chief Officers with related parties are not material.

43. CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

	2014/2015 £000	2013/2014 £000
Capital Financing Requirement		
Opening Capital Financing Requirement	**290,851**	**255,542**
Capital Investment		
Property, Plant & Equipment	39,153	67,924
Investment Properties	44	338
Assets under Construction	2,755	18,607
Revenue Expenditure funded from Capital under Statute	2,121	2,159
Sources of Finance		
Capital Receipts	(2,431)	(303)
Government Grants & Other Contributions	(23,001)	(33,762)
Sums set aside from Revenue	(22,318)	(19,654)
Closing Capital Financing Requirement	**287,174**	**290,851**
Explanations of Movements in Year		
Increase in underlying need to borrow(supported by Government Financial Assistance)	(9,361)	(10,970)
Increase in underlying need to borrow(unsupported by Government Financial Assistance)	5,020	39,684
Assets acquired under PFI contracts	664	6,600
Increase/(decrease) in Capital Financing Requirement	**(3,677)**	**35,314**

44. LEASES

Authority as Lessee

Finance Leases

The Authority is committed to making minimum payments under these leases comprising settlement of the long term liability for the interest in the property acquired by the Authority and finance costs that will be payable by the Authority in future years while the liability remains outstanding.

The minimum lease payments are made up of the following amounts:

	2014/2015 £000	2013/2014 £000
Finance lease liabilities (net present value of minimum lease payments)		
- current	91	276
- non-current	109	253
Finance lease costs payable in future years	50	70
Minimum lease payments	**250**	**599**

The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments	
	31st March 2015 £000	31st March 2014 £000
Not later than one year	119	305
Later than one year and not later than five years	131	294
Later than five years	-	-
Total	**250**	**599**

Operating Leases

The Authority has acquired assets by entering into operating leases. The future minimum lease payments due under non-cancellable leases in future years are:

	Operating Lease Payments	
	31st March 2015 £000	31st March 2014 £000
Not later than one year	26	12
Later than one year and not later than five years	-	-
Later than five years	-	-
Total	**26**	**12**

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	2014/2015 £000	2013/2014 £000
Minimum Lease Payments	-	12
Contingent Rents	-	-
Sub lease payments receivable	-	-
Total	**-**	**12**

The Authority as Lessor

The Council has granted various property leases including the lease of the Sandcastle Waterpark to Blackpool Operating Company Limited. The rentals received in 2014/2015 amounted to £662,000 (2013/2014 £662,000).

The future minimum lease payments under non-cancellable lease in future years are:

	Minimum Lease Payments	
	31st March 2015 £000	31st March 2014 £000
Not later than one year	1,497	1,148
Later than one year and not later than five years	5,175	3,940
Later than five years	10,088	8,788
Total	**16,760**	**13,876**

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

45. PRIVATE FINANCE INITIATIVE (PFI)

Highfield Humanities College PFI

The Highfield Humanities College PFI scheme is the only PFI school resulting from the Government's Building Schools for the Future Programme. This project consists of the new build of a secondary school for up to 1,216 pupils and the provision of a fully managed facility for a period of 25 years by the selected operator.

The operator is Eric Wright Facilities Management via the Highfield PSI SPV Limited (a company wholly owned by Blackpool Local Education Partnership, a joint venture between Eric Wright Group, Blackpool Council and Northgate Management Services). The total projected cost over the life of the project is £98m which is funded by PFI credits of £40m from the Department of Education with the remainder funded by the School and Local Authority contributions.

The assets relating to the PFI are recognised on the Authority's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on Property, Plant and Equipment balance.

The Authority makes an agreed payment each year which is increased by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PFI contract at 31st March 2015 (excluding any estimation of inflation and availability/performance deductions) are as follows:

	Payment for Service £000	Repayment Liability £000	Interest £000	Total Payment Due £000
Payable 2015/16	968	638	2,145	3,751
Payable in two to five years	4,753	2,292	7,970	15,015
Payable in six to ten years	7,236	3,113	8,654	19,003
Payable in eleven to fifteen years	8,925	4,078	6,954	19,957
Payable in sixteen to twenty years	10,251	6,475	4,587	21,313
Payable in twenty one to twenty five years	4,976	4,978	912	10,866
Total	**37,109**	**21,574**	**31,222**	**89,905**

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to pay the liability to the contractor for capital expenditure incurred is as follows:

2013/2014 £000		2014/2015 £000
(22,572)	Balance outstanding at start of year	(22,121)
451	Payments during the year	547
-	Capital expenditure incurred in year	-
(22,121)	**Total**	**(21,574)**

Waste Disposal PFI

Blackpool Council and Lancashire County Council (LCC) entered into the Lancashire Municipal Waste PFI Contract ('the Contract') in 2007 under the terms of a Joint Working Arrangement (JWA), with LCC acting as Agent for the Council in relation to the Contract and its role as Waste Disposal Authority.

LCC signed a PFI (Private Finance Initiative) contract with Global Renewables Lancashire (GRL) Limited in March 2007, and this contract was due to run until March 2037. The contract covered the delivery of contract waste, treatment and diversion from landfill at the Farington and Thornton sites as well as subsequent disposal of waste from those sites.

The parties agreed by negotiation to complete the consensual termination of the Contract on the 31 July 2014 and the former operating company Global Renewables Lancashire Operations Limited (GRLOL) transferred into the ownership of LCC, with the Council due to receive a 12.5% share. GRLOL continue to operate the facilities under a Service Level Agreement with LCC. LCC funds the operating costs of the GRLOL and is governed by a Board of Directors upon which the Council has representation.

Under the terms of the Joint Working Agreement (JWA) LCC has authority to 'administer all matters under the PFI Contract' and 'carry out anything necessary to provide or procure the provision of the Relevant Functions' on behalf of the Council. Amendments are being made to the JWA in order to reflect and facilitate arrangements following termination of the Contract through a Deed of Variation to the existing JWA. Upon finalisation and signature of this Deed of Variation, 12.5% of the shares in GRLOL will transfer to Blackpool.

The PFI contract was in place for the first four months of the financial year. During that period a unitary payment was made to GRL which consisted of a fixed and variable element, both of which were subject to inflation.

Following the acquisition of GRLOL by the authorities, LCC paid compensation to GRL in the sum of £284m. Blackpool's share of the new borrowing is £35.5m (12.5%). The PFI liability has therefore been replaced by a long term creditor from LCC. At the time of the transaction, Blackpool's liability was £33.970m and the total liability reflected in the books of the two authorities was £259.994m leaving a difference of £24.006m which represents a “premium” paid on settlement of the liability. Blackpool’s share of this premium amounts to £1.530m. The premium has been charged to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement in 2014/15.

At the end of the concession period LCC may retender the provision of the services. At this point the Council would either continue to have a 12.5% share in any retendered contract, or continue under a new arrangement. If the Council decided that it no longer wished to continue with the contract then LCC would have to pay Blackpool the relevant rental value for its share in the assets. If LCC decides to dispose of the asset then the Council would receive a relevant percentage of the proceeds of the sale.

Street Lighting and Signals PFI

The scheme, supported by the Department for Transport, was signed in December 2009, and provides for the design, maintenance and replacement of Street Light and Signals across the town. The contract was awarded to Community Lighting Partnership. The project commenced on 4th January 2010 and is for 25 years. The service provider is responsible for the management and maintenance of street lights and signals within Blackpool. The total sum payable to the contractor over the term of the contract is £129m, being met from Government Grant and Authority contributions.

The Authority makes an agreed payment each year which is increased by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PFI contract at 31st March 2015 (excluding any estimation of inflation and availability/performance deductions) are as follows:

	Payment for Service £000	**Repayment Liability £000**	**Interest £000**	**Total Payment Due £000**
Payable 2015/16	2,106	700	1,350	4,156
Payable in two to five years	8,731	3,173	5,046	16,950
Payable in six to ten years	6,899	5,432	5,975	18,306
Payable in eleven to fifteen years	7,645	7,045	6,310	21,000
Payable in sixteen to twenty years	15,218	8,283	5,419	28,920
Payable in twenty one to twenty five years	-	9,899	3,333	13,232
Payable more than 25 years	-	8,330	2,557	10,887
Total	**40,599**	**42,862**	**29,990**	**113,451**

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to pay the liability to the contractor for capital expenditure incurred is as follows:

2013/2014 £000		2014/2015 £000
(22,338)	Balance outstanding at start of year	(28,204)
734	Payments during the year	680
(6,600)	Capital expenditure incurred in year	(664)
-	Other movements	-
(28,204)	**Total**	**(28,188)**

46. IMPAIRMENT LOSSES

During 2014/2015, the Authority has recognised an impairment loss of £3,323,436 (2013/2014 £38,143,235) in relation to land and buildings. The impairment loss has been charged to the Net Cost of Services in the Comprehensive Income and Expenditure Statement.

47. TERMINATION BENEFITS

The Authority terminated the contracts of a number of employees in 2014/2015 incurring liabilities of £1.8m (2013/2014 £3.7m).

48. PENSION SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES

Teachers' Pension Scheme

Teachers employed by the Authority are members of the Teachers' Pension Scheme, administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the Authority contributes towards the costs by making contributions based on a percentage of the members' pensionable salaries.

The scheme is a multi-employer defined benefit scheme. The scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. Valuations of the notional fund are undertaken every four years. The scheme has in excess of 3,700 participating employers and consequently the Authority is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purpose of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2014/2015 the Council paid £2,599,480 (2013/14 £4,148,027) to the Department for Education in respect of teachers retirement benefits, representing 14.10% (2013/2014 14.10%) of teachers' pensionable pay. There were no contributions remaining payable at the year end. The contributions due to be paid in the next financial year are estimated to be £2.1m.

The Authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' pension scheme. These costs are accounted for on a defined benefit basis and detailed in Note 49.

The Authority is not liable to the scheme for any other entities obligations under the plan.

NHS Staff Pension Scheme

From 1st April 2013 NHS staff working within Public Health transferred to the Council. The transferred staff have maintained their membership in the NHS Pension Scheme. The Scheme provides these staff with specified benefits upon their retirement and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The scheme is an unfunded defined benefit scheme. However the Council is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined benefit contribution.

In 2014/2015, the Council paid £121,349 (2013/14 £104,672) to the NHS Pension Scheme in respect of Public Health employee's retirement benefits, representing 14% of pensionable pay. There were no contributions remaining payable at the year end.

49. DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The Authority participates in the Local Government Pension Scheme which is administered by Lancashire County Council. This is a funded defined benefit final salary scheme, which means that the Council and employees pay contributions into the fund, calculated at a level intended to balance pension liabilities with the investment assets.

Arrangements for the award of discretionary post-retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities and cash has to be generated to meet actual pension payments as they eventually fall due.

The Lancashire pension scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the pensions committee at Lancashire County Council. Policy is determined in accordance with the Pension Fund Regulations. The Treasurer of Lancashire County Council is also the Treasurer of Lancashire Pension Fund. The investment managers of the fund are appointed by the committee. There are currently nine external investment managers.

The principal risks to the Authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (ie large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and Housing Revenue Account the amounts required by statute as described in the accounting policies note.

Discretionary Post-retirement Benefits

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities.

Transactions Relating to Post-Employment Benefits

The Authority recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Authority is required to make against council tax is based on the cash payable in the year, so the real cost of post- employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2014/15 £000	**2013/14 £000**	**2014/15 £000**	**2013/14 £000**
Comprehensive Income and Expenditure Statement				
Cost of Services:				
Service Cost comprising				
- current service cost	12,377	16,376	0	0
- past service costs	648	277	0	152
- (gain)/loss from settlements	(6,657)	(5,301)	0	0
Financing & Investment Income and Expenditure				
Net interest expense	23,955	23,905	127	104
Total Post-employment Benefits charged to the Surplus/Deficit on the Provision of Services	**30,323**	**35,257**	**127**	**256**
Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement				
Remeasurement of the net defined benefit liability comprising:				
- Return on plan assets (excluding the amount included in the net interest expense)	(17,221)	(15,534)	0	0
- Actuarial gains and losses arising on changes in demographic assumptions	0	2,570	0	70
- Actuarial gains and losses arising on changes in financial assumptions	93,095	(58,926)	333	(244)
- Other	(31,080)	(147)	0	191
Total Post-Employment Benefits charged to the Comprehensive Income and Expenditure Statement	**44,794**	**(72,037)**	**333**	**17**
Movement in Reserves Statement				
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(61,916)	49,058	(313)	(122)
Actual amount charged against the general fund balance for pensions in the year:				
Employers' contributions payable to scheme	13,201	12,278		
Retirement benefits payable to pensioners			147	151

Assets and Liabilities Recognised in the Balance Sheet

The amount included in the balance sheet arising from the Authority's obligation in respect of its defined pension benefit plans is as follows:

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2014/15 £000	2013/14 £000	2014/15 £000	2013/14 £000
Present value of the defined benefit obligation	650,205	544,661	3,328	3,015
Fair value of plan assets	(428,574)	(384,946)	0	0
Net liability arising from defined benefit obligation	**221,631**	**159,715**	**3,328**	**3,015**

Reconciliation of the Movements in the Fair Value of Scheme (Plan)

	Local Government Pension		Discretionary Benefits	
	2014/15 £000	2013/14 £000	2014/15 £000	2013/14 £000
Opening fair value of scheme assets	384,946	370,798	0	0
Interest Income	17,221	15,534	0	0
Remeasurement gain/(loss):				
- The return on plan assets , excluding the amount included in the net interest expense	31,080	603	0	0
- Other	(254)	(262)	0	
The effect of changes in foreign exchange rates	0	0	0	0
Contributions from employer	13,201	12,278	147	151
Contributions from employees into the scheme	3,994	4,188	0	0
Benefits paid	(18,590)	(17,498)	(147)	(151)
Other	(3,024)	(695)	0	0
Closing fair value of scheme assets	**428,574**	**384,946**	**0**	**0**

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

	Funded Liabilities: Local Government Pension Scheme		Unfunded Liabilities: Discretionary Benefits Arrangements	
	2014/15 £000	2013/14 £000	2014/15 £000	2013/14 £000
Opening balance at 1 April	544,661	579,571	3,015	2,893
Current service cost	12,123	16,114	0	0
Interest cost	23,955	23,905	127	104
Contributions from scheme participants	3,994	4,188	0	0
Remeasurement (gains) and losses:				
- Actuarial gains/losses arising from changes in demographic assumptions	0	2,570	0	70
- Actuarial gains/losses arising from changes in financial assumptions	93,095	(58,926)	333	(244)
- Other	0	456	0	191
Past service cost	23	0	0	152
Losses/(gains) on curtailment (where relevant)	625	277	0	0
Benefits paid	(18,590)	(17,498)	(147)	(151)
Liabilities extinguished on settlements (where relevant)	(9,681)	(5,996)	0	0
Closing balance at 31 March	**650,205**	**544,661**	**3,328**	**3,015**

Local Government Pension Scheme assets comprised:

	Fair Value of Scheme Assets	
	2014/15	**2013/14**
	£000	**£000**
Cash & cash equivalents	20,763	6,684
Equity Instruments:		
- Consumer	47,380	49,513
- Manufacturing, materials & miscellaneous	26,371	31,678
- Energy & Utilities	6,600	11,337
- Financial Institutions	25,392	28,383
- Health & care	14,564	17,355
- Information technology & telecoms	27,209	29,811
Sub total equity	147,516	168,077
Bonds:		
- Corporate	5,947	35,447
- Government	13,451	11,793
Sub total bonds	19,398	47,240
Property:		
-Retail	17,428	14,471
- Commercial	22,930	17,006
Sub total property	40,358	31,477
Private Equity:		
UK	10,753	9,785
Overseas	52,381	44,171
Sub total private equity	63,134	53,956
Other investment funds:		
- Credit Funds	110,414	54,638
- Emerging Markets	0	0
- Infrastructure	23,852	20,941
- Property	3,139	1,933
Sub total other investment funds	137,405	77,512
Total assets	**428,574**	**384,946**

All scheme assets have quoted prices in active markets.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc.

Both the Local Government Pension Scheme and discretionary benefits liabilities have been estimated by Mercers, an independent firm of actuaries, estimates for the Lancashire County Council Fund being based on the latest full valuation of the scheme as at 1 April 2013.

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme		Discretionary Benefits	
	2014/15 £000	2013/14 £000	2014/15 £000	2013/14 £000
Long term expected rate of return on assets in the scheme:				
Equity investments	6.5%	7.0%	-	-
Government Bonds	2.2%	3.4%	-	-
Other Bonds	2.9%	4.3%	-	-
Property	5.9%	6.2%	-	-
Cash	0.5%	5.0%	-	-
Mortality assumptions: Men/Women	100%/98%	100%/98%	100%/98%	100%/98%
Longevity at 65 for current pensioners:				
- Men	22.9yrs	22.8yrs	22.9yrs	22.8yrs
- Women	25.4yrs	25.3yrs	25.4yrs	25.3yrs
Longevity at 65 for future pensioners:				
- Men	25.1yrs	25.0yrs	-	
- Women	27.8yrs	27.7yrs	-	
Rate of inflation	2.0%	2.4%	2.0%	2.4%
Rate of increase in salaries	3.5%	3.9%	3.5%	0.0%
Rate of increase in pensions	2.0%	2.4%	2.0%	2.4%
Rate for discounting scheme liabilities	3.3%	4.5%	3.1%	4.3%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in 2013/2014.

	Impact on the Defined Benefit Obligation in the Scheme	
	Approximate % change in employee liability	**Approximate monetary value £000**
1 year increase in member life expectancy	1.94%	12,623
Rate of Inflation - increase by 1%	1.93%	12,519
Rate of increase in salaries - increase by 1%	0.46%	297
1% increase in real discount rate	(1.89%)	(12,284)

Impact on Authority's Cash Flows

The objectives of the scheme are to keep employer's contributions at as constant a rate as possible. Lancashire County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 19 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2016.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings scheme to pay pensions and other benefits to certain public servants.

The Authority anticipated to pay £12.5m expected contributions to the scheme in 2014/2015.

The weighted average duration of the defined benefit obligation for scheme members is 19 years, 2014/2015 (19 years 2013/2014).

50. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Council's activities expose it to a variety of financial risks, the key risks are:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council;
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments;
- Market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

The Council's overall risk management procedures focus on the unpredictability of financial markets, and seek to minimise potential adverse effects on resources available to fund services. Risk management is carried out by the Treasury Management Panel, under policies approved by the Executive in the Council's Annual Treasury Management Strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria. The criteria are based on information from Fitch, Moody's and Standard and Poors, the three principal credit ratings agencies.

Banks – the authority will use banks which have at least the following ratings:

- Short term – F1 or equivalent
- Long term – Single A or equivalent.

Building Societies – the authority will use any UK society with assets in excess of £1.5 billion.

Local authorities – the authority will use upper tier authorities only.

Investments in UK Government – permitted due to overall security

Investments in supranational institutions – not permitted along with investments in money market funds.

The Annual Investment Strategy also imposes a maximum sum to be invested with a financial institution located within each category.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Executive.

The Authority's potential maximum exposure to credit risk in relation to its investments in banks and building societies of £5.6m cannot be assessed generally as the risk of any institution failing to make the interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits but there was no evidence at 31st March 2015 that this was likely to crystallize.

The following analysis summarises the Authority's potential maximum exposure to credit risk on other financial assets, based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions.

	Amount at 31st March 2015 £000	Historical experience of default %	Historical experience adjusted for market conditions at 31st March 2015 %	Estimated maximum exposure to default and uncollectability At 31st March 2015 £000	Estimated maximum exposure at 31st March 2014 £000
Deposits with banks and financial institutions	3,055	0	0	0	0
Customers	37,014	35%	0	12,955	13,825

No credit limits were exceeded during the reporting period and the authority does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The Authority does not generally allow credit for its customers, such that £1.7m of the £39.0m balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

	31st March 2015 £000	31st March 2014 £000
Up to 3 months	297	484
Three to six months	440	827
Six months to one year	249	521
1-2 years	217	313
2-3 years	214	108
Over 3 years	300	297
Total	**1,717**	**2,550**

Liquidity risk

The Authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the authority has ready access to borrowings from the money markets. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Authority will be bound to replenish a significant proportion of borrowings at a time of unfavourable interest rates. The Authority sets limits on the proportion of its fixed rate borrowing during specified periods. Except for short term temporary borrowing the strategy is to ensure that not more than 30% of loans are due to mature within any rolling five year period through a combination of careful planning of new loans taken out and (where it is economic to do so) making early repayments. The maturity analysis of financial liabilities is as follows:

	31st March 2015 £000	31st March 2014 £000
Less than one year	52,815	45,743
Between one and two years	8,421	6,315
Between two and five years	8,167	11,894
Between five and ten years	12,201	13,638
Between ten and fifteen years	7,696	5,033
Between fifteen and twenty years	11,736	14,696
More than twenty years	40,353	43,313
Total	**141,389**	**140,632**

All trade and other payables are due to be paid in less than one year.

Market risk

Interest rate risk

The Authority is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Authority. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Service will rise
- investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on the fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in the interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The Authority has a number of strategies for managing interest rate risk. Policy is to aim to keep a maximum of 35% of its long-term borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the Authority's cost of borrowing and provide compensation for a proportion of any higher costs.

The treasury management panel has an active strategy for assessing interest rate exposure that feeds into the annual budget setting. Any adverse changes are updated in the budget during the year. The analysis will also advise whether new borrowing taken out is fixed or variable.

If interest rates had been 1% higher with all other variables held constant, the financial effect would have a nil effect on the financial statements as would a 1% fall in interest rates. This assumption is based on the methodology used in the Note – Fair Value of Assets and Liabilities.

Price Risk

The Authority does not invest in equity shares but does have shareholdings to the value of £10.2m in a number of subsidiaries.

As the shareholdings have arisen in the acquisition of specific interests, the Authority is not in a position to limit its exposure to price movements by diversifying its portfolio. Instead it only acquires shareholdings in return for 'open book' arrangements with the company concerned so that the authority can monitor factors that might cause a fall in the value of specific shareholdings.

The £10.2m shares are classified as 'available for sale', meaning that all movements in price will impact on gains and losses recognised in Other Comprehensive Income and Expenditure. A general shift of 5% in the general price of shares (positive or negative) would thus have resulted in a £495,000 gain or loss being recognised in the Other Comprehensive Income and Expenditure for 2014/2015.

Foreign Exchange Risk

The Authority has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

51. CONTINGENT LIABILITIES / ASSETS

Blackpool Airport

Upon the sale of Blackpool Airport from City Hopper Airports to Balfour Beatty in May 2008 the agreement provides for a payment of £250,000 to the Council which will be received dependent upon passenger numbers.

Local Land Charges

A number of property research companies are seeking to claim refunds of fees paid to local authorities to access land charges data. They have also intimated that they may bring a claim against all English and Welsh local authorities for alleged anti-competitive behaviour.

Proceedings have not yet been issued and it is therefore not clear what the value of any such claims would be against the Council.

Municipal Mutual Insurance

The Scheme of Arrangement was enacted in 2012/2013. Although Blackpool Council is not a scheme creditor the Council will have a liability in relation to Lancashire County Council (for transferred services). It is not yet clear how much this liability will be.

NNDR Appeals

The Council has made provision for NNDR appeals based upon its best estimate of the actual liability as at the year end in known appeals. It is not possible to quantify appeals that have not yet been lodged with the Valuation Office so there is a risk to the Council that national and local appeals may have a future impact on the accounts.

As at 31st March 2015 the Council had no material contingent assets to disclose.

These assets and liabilities are not included on the Balance Sheet.

52. HERITAGE ASSETS: FIVE YEAR SUMMARY OF TRANSACTIONS

Information on Illuminations and Civic Regalia is not available before 1st April 2010. The Tower Company Collection only transferred to the Authority in March 2009 and there have been no movements in the valuation. There have been no movements in the valuation of the art collection, local and family history collection and Stanley Park statues.

	2010/2011 £000	2011/2012 £000	2012/2013 £000	2013/2014 £000	2014/2015 £000
Balance B/fwd					
Cenotaph	440	120	120	120	120
Civic Regalia	381	381	591	591	591
Illuminations	250	250	500	500	500
Art Collection	500	500	500	500	500
Tower Collection	5,000	5,000	5,000	5,000	5,000
Local Familty History Collection	400	400	400	400	400
Stanley Park Statues	653	653	653	653	653
Total Balance B/fwd	**7,624**	**7,304**	**7,764**	**7,764**	**7,764**
Additions					
Cenotaph	2	-	-	-	-
Total Additions	**2**	**-**	**-**	**-**	**-**
Impairment/Revaluation					
Cenotaph	(322)	-	-	-	-
Civic Regalia	-	210	-	-	-
Illuminations	-	250	-	-	-
Total Impairment/Revaluation	**(322)**	**460**	**-**	**-**	**-**
Balance C/fwd					
Cenotaph	120	120	120	120	120
Civic Regalia	381	591	591	591	591
Illuminations	250	500	500	500	500
Art Collection	500	500	500	500	500
Tower Collection	5,000	5,000	5,000	5,000	5,000
Local Familty History Collection	400	400	400	400	400
Stanley Park Statues	653	653	653	653	653
Total Balance C/fwd	**7,304**	**7,764**	**7,764**	**7,764**	**7,764**

53. HERITAGE ASSETS: FURTHER INFORMATION ON THE COLLECTION

Art Collection

The Art Collection is stored at the Grundy Art Gallery and consists of Victorian oils and watercolours, modern British paintings, contemporary prints, jewellery and video, oriental ivories, ceramics and photographs and souvenirs of Blackpool. The Council commissioned the building of the Grundy Art Gallery in 1908 following a bequest of 33 artworks from brothers John and Cuthbert Grundy, both of whom were artists. The Gallery displays artwork loaned from major UK institutions as well as its own permanent collection.

Family and Local History Collection

Mainly based at Blackpool Central Library this collection includes an extensive collection of maps, newspapers, and genealogical indices. It also includes the Cyril Critchlow Collection which is a collection of records, memorabilia and artefacts relating to Blackpool’s entertainment heritage.

Tower Company Collection

This collection transferred to the Authority when it purchased Blackpool Tower in March 2009. This collection is currently stored in Coastal House. The only item in this collection which is on display in Blackpool Tower is a silver model of Blackpool Tower. The collection has many items which represent Blackpool’s tourism heritage and includes many rare items.

Illuminations

This is a collection of illuminations previously used in the annual illuminations display. They are kept due to their historical and unique nature but will not form part of any future Illuminations displays. Many of the items have a “Disney studio” stamp on them which makes them unique and adds value.

Cenotaph

The Cenotaph was previously included in the balance sheet as a community asset but as it represents an historical event and is being held for the purposes of knowledge and culture the asset has been reclassified as a heritage asset.

The Cenotaph is situated on the Promenade close to North Pier.

Civic Regalia

Civic Regalia includes the following items:

Mayor’s Chain –Made in 1875.

Mayoress’ Chain – Made in 1897.

Deputy Mayoress’ Chain – Made in 1897.

Deputy Mayor’s Chain – Made 1937.

Mayoral Mace – Made in 1897.

Stanley Park Statues

These are mainly statues of lions and other sculptures in Stanley Park.

SECTION 6

SUPPLEMENTARY SINGLE ENTITY FINANCIAL STATEMENTS

HOUSING REVENUE ACCOUNT

INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31ST MARCH 2015

2013/2014		2014/2015	
£000		£000	£000
	Expenditure		
4,370	Repairs and maintenance	4,373	
5,701	Supervision and management	5,725	
407	Rent, rates , taxes and other charges	396	
6,140	Depreciation and impairment of non-current assets	6,707	
64	Debt management costs	64	
385	Movement in the allowance for bad debts	364	
17,067	**Total Expenditure**		**17,629**
	Income		
(16,125)	Dwelling rents	(16,639)	
(174)	Non-dwelling rents	(172)	
(1,469)	Charges for services and facilities	(1,442)	
(266)	Contributions towards expenditure	(272)	
(18,034)	**Total Income**		**(18,525)**
(967)	**Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Account**		**(896)**
	HRA Share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement		
413	Gain/or Loss on sale of HRA non-currents assets	302	
634	Interest payable and similar charges	620	
(145)	Interest and investment income	(151)	771
(65)	**(Surplus) or deficit for the year on HRA services**		**(125)**

HOUSING REVENUE ACCOUNT
MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDING 31ST MARCH 2015

	2014/2015 £000	2013/2014 £000
Balance on HRA Reserve at 31st March	**(4,187)**	**(3,388)**
Surplus/Deficit for the year on HRA Income and Expenditure Statement	(125)	(65)
Adjustments between accounting basis and funding basis under statute	(3,135)	(2,820)
Net increase or decrease before transfers to/from reserves	(3,260)	(2,885)
Transfers to/from reserves	1,830	2,086
Balance on HRA Reserve at 31st March	**(5,617)**	**(4,187)**

NOTES TO THE HRA STATEMENT

1. HOUSING REVENUE ACCOUNT STOCK

The Council owned 5,023 dwellings at 31st March 2015 which are analysed below:-

	2014/2015 £000	2013/2014 £000
Low rise flats	2,176	2,214
Medium rise flats	772	789
High rise flats	257	255
Houses and bungalows	1,775	1,758
Multi occupied dwellings	43	43
Total	**5,023**	**5,059**

The change in the stock during the year is summarised below:-

	2014/2015 £000	2013/2014 £000
Stock at 1st April	**5,059**	**5,306**
Less: Sales to tenants	11	16
Disposal to Housing Associations	44	176
Propert Conversion	28	114
Add: Right to Buy Backs	7	-
Property Conversion	14	59
Transferred from General Fund	26	-
Stock at 31st March	**5,023**	**5,059**

The Balance Sheet value of assets held in the Housing Revenue Account was as follows:-

	2014/2015 £000	2013/2014 £000
Operational assets:		
Council dwellings	98,578	94,783
Other HRA	2,274	1,629
Stock at 31st March	**100,852**	**96,412**

2. DWELLING RENTS

This is the total rent due for the year after allowance is made for voids etc. During the year 8.67% of lettable properties, including hostels, were vacant (2013/14: 9.4%). This includes properties intentially held vacant pending the future re-development of the Queens Park estate and other sites. The percentage excluding development site properties was 4.22% (2013/14: 6.99%)

The average rent (excluding Affordable Rent properties) was £67.99 a week in 2014/15, an increase of 3.22% over the previous year.

	2014/2015 £000	2013/2014 £000
Vacant possession value of properties	280,155	269,313

The vacant possession value of dwellings held on 31st March 2015 was £280,154,675. The difference between this and the Existing Use Value (Social Housing) valuation of £98,578,202 represents the economic cost to the Government of providing council housing at less than the open market rents.

3. MAJOR REPAIRS RESERVE

The movements in the Major Repairs Reserve (MRR) are summarised below:

	2014/2015 £000	2013/2014 £000
Balance at 1st April	-	-
Transferred to MRR during the year	2,274	2,133
Transfer between MRR and HRA during the year	1,830	2,086
Debits to MRR during the financial year in respect of capital expenditure:		
Houses held within HRA	(4,104)	(4,219)
Balance at 31st March	-	-

4. HOUSING REPAIRS ACCOUNT

The movement on the Housing Repairs Account during the year is summarised below:

	2014/2015 £000	2013/2014 £000
Balance at 1st April	-	-
Add: Revenue contribution	4,373	4,370
Less: Expenditure in year		
Responsive repairs	(2,055)	(1,967)
Planned maintenance	(2,318)	(2,403)
Balance at 31st March	-	-

5. CAPITAL EXPENDITURE WITHIN HOUSING REVENUE ACCOUNT

	2014/2015 £000	2013/2014 £000
Total capital expenditure within the Housing Revenue Account on land, housing & other property	**11,817**	**11,337**
Sources of funding for the above Capital Expenditure:		
- Decent Homes Funding	3,500	5,000
- Usable Capital Receipts	101	221
- Revenue contrbutions (as defined in Local Government & Housing Act 1989)	1,497	59
- Major Repairs Reserve	4,104	4,220
- Grants and other funding	2,615	1,837
Total capital expenditure within the HRA	**11,817**	**11,337**

Usable capital receipts totalling £107,739 were received during the year.

6. DEPRECIATION CHARGE WITHIN THE HRA

	2014/2015 £000	2013/2014 £000
Depreciation charges for:		
- Operational assets, comprising dwellings and other land and buildings	2,220	2,074
- Non-Operational assets	54	59
Total	**2,274**	**2,133**

7. IMPAIRMENT

	2014/2015 £000	2013/2014 £000
Impairment charges in respect of land, houses and other property within the HRA	4,433	4,007

The basis of valuation of the housing stock within the HRA is Existing Use Value – Social Housing. This is calculated by applying a prescribed discount factor to the Existing Use Value – Vacant Possession. The impairment charge can be mainly accounted for as a result of the adjustment for properties earmarked for future demolition and redevelopment.

8. GOVERNMENT RULES

The Localism Act 2011 resulted in the cessation of the Housing Subsidy System on 31st March 2012 and the introduction of the HRA self-financing system on 1st April 2012. One of the purposes for the introduction of the Act is to enable all local authorities to be in a position whereby they can manage their homes from their own income.

a) The Ringfence

The present rules do not allow authorities to transfer funds from the Housing Revenue Account to the General Fund or vice versa except under specified conditions. The items to be included within the Housing Revenue Account are also specified.

b) Control

A deficit balance on the Account is not allowed and the format of the Account must comply with Schedule 4 of the Act.

c) Annual Report

An annual report to tenants must be published detailing activities and performance during the year.

9. RENT ARREARS

Rent Arrears for 2014/2015 amounted to £650,000 compared to £560,000 in the previous year. During the year 2014/2015 rent arrears as a proportion of gross collectable rent (including service charges) were 3.49% (2013/2014 3.22%).

Amounts written off during the year amounted to £209,000 (2013/2014 £135,000). The total provision for bad and doubtful rental debts in the Housing Revenue Account at 31st March 2015 is £568,000 (£498,000 at 31st March 2014). This provision has been calculated in accordance with the Housing Revenue Account (Arrears of Rents and Charges) Directions 1990.

COLLECTION FUND 2014/2015

COLLECTION FUND STATEMENT 2014/2015

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

2013/2014 £000 Council Tax	2013/2014 £000 NNDR	2013/2014 £000 Total		2014/2015 £000 Council Tax	2014/2015 £000 NNDR	2014/2015 £000 Total
			INCOME			
55,187		55,187	Council Tax Receivable	56,618		56,618
	50,046	50,046	Business Rates Receivable		47,775	47,775
55,187	**50,046**	**105,233**	**TOTAL INCOME**	**56,618**	**47,775**	**104,393**
			EXPENDITURE			
			Apportionment of previous year's surplus/deficit			
		-	Central Government		(964)	(964)
(907)		(907)	Blackpool Council	452	(945)	(493)
(44)		(44)	Lancashire Fire Authority	22	(19)	3
(104)		(104)	Police & Crime Commissioner for Lancashire	53		53
			Precepts, Demands and Shares			
	24,165	24,165	Central Government		24,121	24,121
44,983	23,682	68,665	Blackpool Council	45,351	23,638	68,989
2,192	483	2,675	Lancashire Fire Authority	2,210	482	2,692
5,267		5,267	Police & Crime Commissioner for Lancashire	5,416		5,416
			Charges to Collection Fund			
(145)	1,116	971	less: Write offs of uncollectable amounts	(1,827)	(1,769)	(3,596)
841	1,595	2,436	less: Increase/Decrease in BDP	2,380	2,024	4,404
	4,105	4,105	less:Increase/Decrease in Provision for Appeals		5,933	5,933
	280	280	less:Cost of Collection		277	277
	(97)	(97)	less: Transitional Protection Payments		1,066	1,066
52,083	**55,329**	**107,412**	**TOTAL EXPENDITURE**	**54,057**	**53,844**	**107,901**
(3,104)	**5,283**	**2,179**	**(SURPLUS)/DEFICIT FOR THE YEAR**	**(2,561)**	**6,069**	**3,508**
			COLLECTION FUND BALANCE			
1,582	-	1,582	Fund balance at 1st April (Surplus)/Deficit	(1,522)	5,283	3,761
(1,522)	**5,283**	**3,761**	**DEFICIT/(SURPLUS) AS AT 31ST MARCH**	**(4,083)**	**11,352**	**7,269**
			Allocated to:			
(1,301)	2,588	1,287	- Blackpool Council	(3,490)	5,562	2,072
(64)	53	(11)	- Lancashire Fire Authority	(172)	114	(58)
(157)		(157)	-Police & Crime Commissioner for Lancashire	(421)		(421)
	2,642	2,642	- Central Government		5,676	5,676
(1,522)	**5,283**	**3,761**	**TOTAL**	**(4,083)**	**11,352**	**7,269**

NOTES TO THE COLLECTION FUND

1. GENERAL

The Collection Fund statement shows the transactions of the billing authority in relation to the collection of council tax from taxpayers and non-domestic rates from business rate payers. The Council has a statutory requirement to operate a Collection Fund separate account to the General Fund. The Collection Fund is distributed between the Council, Central Government, Police and Crime Commissioner for Lancashire and Lancashire Fire Authority.

From 1st April 2013, the local government finance regime was revised with the introduction of a retained business rates scheme. The main aim of the scheme is to give Councils a greater incentive to grow businesses in the area. It does, however, also increase the financial risk due to non-collection and the volatility of the NNDR tax base.

The scheme allows Councils to retain 49% of the total NNDR received. The remaining 51% is paid to Central Government (50%) and Lancashire Fire Authority (1%).

NNDR surpluses and deficits are apportioned/charged to the relevant preceptors in the following financial year.

2. COUNCIL TAX

The Council as a billing authority is required to set a tax base for each billing year by 31st January of the previous year. The council tax base represents the number of chargeable dwellings in each valuation band (adjusted for discounts etc) multiplied by a set proportion to give the number of Band D equivalents.

The tax base is not constant. The number of properties eligible for discounts varies during the year. The number of properties on the valuation list also varies during the year owing to new properties being occupied and others being demolished. As a result the amount receivable from council tax payers in the year varies from the estimated amount. This will result in a surplus or deficit on the Collection Fund in respect of council tax. Surplus and deficits on the Collection Fund are shared between the Council, Police and Crime Commissioner for Lancashire and Lancashire Fire Authority in proportion to their budgets. The Council's share of any surplus/deficit is used to reduce/increase the council tax bills in the subsequent financial year.

The Council tax base for 2014/2015 was 34,725 (34,444 in 2013/2014). This reduction is as a result of the Government's Council Tax Localisation changes which revised the way Central Government pay Council Tax benefit compensation to the Council. From 1st April 2013 Council Tax Benefit Subsidy is no longer paid to the Council by Central Government and has been replaced by the Council Tax Reduction Scheme which is administered by each authority.

The tax base for 2014/2015 was calculated as follows:

Band	Chargeable Dwellings	Proportion of Band D Tax	Equivalent Band D Dwellings
A Reduced	53	5/9	29
A	15,416	6/9	10,277
B	13,988	7/9	10,880
C	8,475	8/9	7,533
D	3,744	1	3,744
E	1,541	11/9	1,884
F	468	13/9	676
G	222	15/9	370
H	20	18/9	40
Less allowances for non collection			708
Tax Base for the Calculation of Council Tax			**34,725**

3. NATIONAL NON-DOMESTIC RATES

The Council collects National Non-Domestic Rates (NNDR) for its area based on local rateable values provided by the Valuation Office Agency (VO) multiplied by a uniform business rate set nationally by Central Government. In previous financial years the total amount due, less certain allowances, was paid to a central pool (the NNDR Pool) administered by Central Government, which in turn paid to local authorities their share of the pool, such shares being based on a standard amount per head of the local adult population.

In 2013/2014 the administration of NNDR changed following the introduction of a business rate retention scheme which aims to give councils greater incentive to grow businesses but also increases the financial risk due to volatility and non-collection of rates. Instead of paying NNDR to the central pool, local authorities retain a proportion of collectable rates due. Blackpool Council's local share is 49%. The remainder is distributed to the preceptors which are Central Government (50%) and Lancashire Fire Authority (1%).

The business rates shares payable for 2014/2015 were estimated before the start of the financial year as £24.121m (£24.165m in 2013/14) to Central Government, £0.482m (£0.483m in 2013/14) to Lancashire Fire Authority and £23.638m (£23.682m in 2013/14) to Blackpool Council. These sums have been paid in 2014/2015 and charged to the Collection Fund in year.

When the scheme was introduced, Central Government set a baseline level for each authority identifying the expected level of retained business rates and a top up or tariff amount to ensure that all local authorities receive their baseline amount. Tariffs due from authorities payable to Central Government are used to finance the top ups to those authorities who do not achieve their targeted baseline funding. In this respect Blackpool received top up grant to the General Fund in 2014/2015 to the value of £18.804m (£18.444m in 2013/2014).

In addition to the local management of business rates, authorities are expected to finance appeals made in respect of rateable values as defined by VO. Authorities are required to make a provision for these amounts. Appeals are charged and provided for in proportion to precepting shares. The total provision charged to the Collection Fund for 2014/2015 has been calculated at £10.038m £4.105m in 2013/2014).

For 2014/2015, the total non-domestic rateable value at the year- end is £132.6m. The national multiplier for 2014/2015 was 47.1p (46.2p in 2013/2014) for qualifying small businesses and the standard multiplier being 48.2p (47.1p in 2013/2014) for all other businesses.

4. ALLOCATION OF CLOSING BALANCES

The allocation of the closing balances for 2014/2015 between the preceptors is as follows:

	CENTRAL GOVERNMENT £000	BLACKPOOL COUNCIL £000	LANCASHIRE FIRE AUTHORITY £000	POLICE AUTHORITY £000	TOTAL £000
COUNCIL TAX					
Arrears at 31st March 2015		10,082	1,228	501	11,811
Receipts in Advance		(583)	(71)	(29)	(683)
Bad Debt Provision		(3,982)	(485)	(198)	(4,665)
Surplus/Deficit		(3,490)	(421)	(172)	(4,083)
BUSINESS RATES					
Arrears at 31st March 2015	2,271	2,226	45		4,542
Receipts in Advance	(171)	(168)	(3)		(342)
Bad Debt Provision	(925)	(907)	(18)		(1,850)
Appeals	(5,019)	(4,919)	(100)		(10,038)
Surplus/Deficit	5,676	5,562	114		11,352

SECTION 7

GROUP ACCOUNTS 2014/2015

7.0 INTRODUCTION

The Group Accounts show the combined overall financial position of the Council, its subsidiary companies and its associates.

Subsidiaries are where the Council exercises control. Blackpool Transport Services, Blackpool Operating Company and Blackpool Coastal Housing are 100% owned by the Council and are therefore classified as subsidiaries. They are incorporated into the accounts on a line-by-line basis.

Associates are where the Council exercises significant influence. Marketing Lancashire and The Via Partnership are classified as such and are incorporated into the accounts on an equity basis.

Subsidiaries

Blackpool Transport Services

Blackpool Transport Services Limited was set up in accordance with the provisions of the Transport Act 1985 to operate the Council's municipal bus operation. The company provides a comprehensive passenger transport service in the Fylde coast area through its bus and tram operations.

Blackpool Operating Company

The Council purchased the operation of the Sandcastle Waterpark from a private company on 20th June 2003 and now wholly owns both the building and the commercial operator - Blackpool Operating Company Limited (BOC). The Council's shares in Blackpool Operating Company are valued at £2.

Blackpool Coastal Housing

Blackpool Coastal Housing is an ALMO (arms-length management organisation) of the Council and was formed on 15th January 2007. The company's principal activities are to manage and maintain the housing stock of the Council.

Blackpool Entertainment Company

The Council purchased the operation of the Winter Gardens from a private company on 16th May 2014 and now wholly owns both the building and the commercial operator - Blackpool Entertainment Company Limited (BECL). The Council's shares in BECL are valued at £1. BECL's accounts from 16th May 2014 to 31st March 2015 are included in the group accounts.

Blackpool Housing Company

Blackpool Housing Company Limited was set up on 26th January 2015. The company is a housing regeneration company and is wholly owned by the Council. At 31st March 2015 the company had not started trading and is therefore not included in the group accounts. The Council's shares in the company are valued at £1.

Marketing Blackpool Limited

On 1st April 2013 the Council's tourism section became a limited company called Marketing Blackpool. The company was 100% wholly owned by the Council. However at 10th January 2014 Marketing Blackpool ceased to trade and became a Council service again. All costs and income relating to Marketing Blackpool are included in the Council's single entity accounts.

Associates

Marketing Lancashire

Marketing Lancashire (previously known as Lancashire and Blackpool Tourist Board) is limited by guarantee and therefore has no share capital. The Council has 43% of the voting rights. It supports businesses in the Lancashire and Blackpool area by representing their interests regionally and nationally, by co-ordinating marketing activity, managing and developing the tourism product and working in partnership with industry. Activities in commercial membership, business support, “Welcome to Excellence” training, visitors services and marketing activity are all designed to improve quality and achieve common goals.

The Via Partnership

The Via Partnership (previously known as CX Limited) is limited by guarantee and therefore has no share capital. The Council has 30% of the voting rights. CXL supplies outsourced careers and personal development services to young people and adults and provides workforce training and development.

CORE FINANCIAL STATEMENTS – GROUP

GROUP MOVEMENT IN RESERVES STATEMENT

2014/2015

	General Fund Balance	Earmarked General Fund Reserves	HRA	Capital Receipts Reserve	Major Repairs Reserve	Capital Reserves	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Group Reserves	Total Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance as at 31st March 2014	**(10,078)**	**(49,971)**	**(4,187)**	**(3,408)**	**-**	**(6,993)**	**(74,637)**	**(322,106)**	**(396,743)**	**(2,081)**	**(398,824)**
Movements in Reserves in 2014/2015											
Surplus or Deficit on the provision of services	48,211		(125)				**48,086**		**48,086**	**2,805**	**50,891**
Other Comprehensive Income & Expenditure							-	65,502	**65,502**	**(1,257)**	**64,245**
Total Comprehensive Income and Expenditure	**48,211**	**-**	**(125)**	**-**	**-**	**-**	**48,086**	**65,502**	**113,588**	**1,548**	**115,136**
Adjustments between accounting basis and funding basis under regulations	(52,624)		(3,135)		4,104		**(51,655)**	51,655	-		-
Net increase or Decrease before Transfer to Earmarked Reserves	**(4,413)**	**-**	**(3,260)**	**-**	**4,104**	**-**	**(3,569)**	**117,157**	**113,588**	**1,548**	**115,136**
Transfer to/from Earmarked Reserves	3,249	3,947	1,830	(23)	(4,104)	2,605	**7,504**	(7,504)	-		-
Increase/Decrease in 2014/2015	**(1,164)**	**3,947**	**(1,430)**	**(23)**	**-**	**2,605**	**3,935**	**109,653**	**113,588**	**1,548**	**115,136**
Balance as at 31st March 2015	**(11,242)**	**(46,024)**	**(5,617)**	**(3,431)**	**-**	**(4,388)**	**(70,702)**	**(212,453)**	**(283,155)**	**(533)**	**(283,688)**

2013/2014

	General Fund Balance £000	Earmarked General Fund Reserves £000	HRA £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Reserves £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000	Group Reserves £000	Total Reserves £000
Balance as at 31st March 2013	**(11,183)**	**(43,980)**	**(3,388)**	**(2,734)**	**-**	**(6,599)**	**(67,884)**	**(336,874)**	**(404,758)**	**(1,550)**	**(406,308)**
Movements in Reserves in 2013/2014											
Surplus or Deficit on the provision of services	65,881	-	(65)	-	-	-	**65,816**	-	**65,816**	1,318	**67,134**
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	-	(57,801)	**(57,801)**	(1,849)	**(59,650)**
Total Comprehensive Income and Expenditure	**65,881**	**-**	**(65)**	**-**	**-**	**-**	**65,816**	**(57,801)**	**8,015**	**(531)**	**7,484**
Adjustments between accounting basis and funding basis under regulations	(69,500)	-	(2,820)	(249)	4,219	-	**(68,350)**	68,350	**-**	-	**-**
Net increase or Decrease before Transfer to Earmarked Reserves	**(3,619)**	**-**	**(2,885)**	**(249)**	**4,219**	**-**	**(2,534)**	**10,549**	**8,015**	**(531)**	**7,484**
Transfer to/from Earmarked Reserves	4,724	(5,991)	2,086	(425)	(4,219)	(394)	**(4,219)**	4,219	**-**	-	**-**
Increase/Decrease in 2013/2014	**1,105**	**(5,991)**	**(799)**	**(674)**	**-**	**(394)**	**(6,753)**	**14,768**	**8,015**	**(531)**	**7,484**
Balance as at 31st March 2014	**(10,078)**	**(49,971)**	**(4,187)**	**(3,408)**	**-**	**(6,993)**	**(74,637)**	**(322,106)**	**(396,743)**	**(2,081)**	**(398,824)**

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2013/2014				2014/2015		
Gross Expenditure £000	Gross Income £000	Net Expenditure		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
32,334	(11,415)	20,919	Central Services to the Public	13,127	(3,316)	9,811
28,749	(12,915)	15,834	Cultural and Related Services	25,968	(17,105)	8,863
35,267	(10,477)	24,790	Environment and Regulatory Services	17,622	5,297	22,919
273	(937)	(664)	Planning Services	2,276	(1,304)	972
158,964	(110,347)	48,617	Childrens and Education Services	118,898	(78,397)	40,501
58,894	(34,817)	24,077	Highways and Transport Services	57,302	(38,078)	19,224
17,067	(18,034)	(967)	Local Authority Housing (HRA)	17,629	(18,525)	(896)
99,841	(93,829)	6,012	Other Housing Services	91,632	(86,675)	4,957
68,680	(19,492)	49,188	Adult Social Care	70,857	(24,608)	46,249
3,395	(3,362)	33	Corporate and Democratic Core	2,504	(2,451)	53
15,120	(17,622)	(2,502)	Public Health	15,647	(17,337)	(1,690)
(38)	3,357	3,319	Non-Distributed Cost	(5,596)	3,560	(2,036)
518,546	**(329,890)**	**188,656**	**Cost of Services**	**427,866**	**(278,939)**	**148,927**
		40,776	Other Operating Expenditure			53,841
		5,733	Financing & Investment Income & Expenditure - Other			4,876
		8,740	Income & Expenditure in relation to Investment Properties and changes in their fair value			1,550
		(176,870)	Taxation and Non-Specific Grant Income - Other			(158,271)
		67,035	**(Surplus) or Deficit on Provision of Services**			**50,923**
		40	Share of (Surplus)/Deficit on the Provision of Services by Associates			(40)
		59	Tax of Subsidiaries (Note G3)			8
		67,134	**Group (Surplus)/Deficit**			**50,891**
		(13,998)	Surplus or Deficit on revaluation of non-current assets			2,725
		5,701	Impairment losses on non-current assets charged to Revalution Reserve			(2,148)
		400	Surplus or deficit on revaluation of available for sale financial assets			(300)
		18	Movement on financial instruments adjustment account			953
		(51,396)	Actuarial gains / losses on pension assets / liabilities			62,229
		(375)	Other Movements			786
		(59,650)	**Other Comprehensive Income and Expenditure**			**64,245**
		7,484	**Total Comprehensive Income and Expenditure**			**115,136**

GROUP BALANCE SHEET

31st March 2014 £000		Notes	31st March 2015 £000
819,507	Property, Plant and Equipment	G4	769,880
7,764	Heritage Assets		7,764
13,450	Investment Property		13,398
129	Intangible Assets		97
247	Net share of Associates		247
482	Assets Held for Sale		763
7,111	Long Term Investments		7,415
10,561	Long Term Debtors		10,258
859,251	**Long Term Assets**		**809,822**
550	Short Term Assets Held for Sale		550
1,123	Inventories		1,021
38,594	Short Term Debtors	G6	37,580
711	Payments in Advance		564
-	Short Term Investments		350
11,507	Cash and Cash Equivalents	G5	10,884
52,485	**Current Assets**		**50,949**
(45,348)	Short Term Borrowing		(52,815)
(54,828)	Short Term Creditors	G7	(49,593)
(13,662)	Receipts in Advance		(13,100)
(14,242)	Provisions		(17,834)
(128,080)	**Current Liabilities**		**(133,342)**
(81,351)	Long Term Creditors		(83,864)
(94,586)	Long term Borrowing		(88,023)
(198,043)	Other Long Term Liabilities		(260,507)
(10,852)	Capital Grants in Advance		(11,347)
(384,832)	**Long Term Liabilities**		**(443,741)**
398,824	**Net Assets**		**283,688**
(76,718)	Usable Reserves		(71,235)
(322,106)	Unusable Reserves		(212,453)
(398,824)	**Total Reserves**		**(283,688)**

GROUP CASH FLOW STATEMENT

2013/2014 £000		2014/2015 £000
67,134	**Net (surplus) or deficit on the provision of services**	**50,891**
(63,576)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(15,436)
(36,790)	Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities	(62,161)
(33,232)	**Net cash flows from Operating Activities**	**(26,706)**
35,314	Investing Activities	18,641
(28,602)	Financing Activities	134
(26,520)	**Net (increase) or decrease in cash and cash equivalents**	**(7,931)**
(93,735)	Cash and cash equivalents at the beginning of the reporting period	(120,255)
(120,255)	**Cash and cash equivalents at the end of the reporting period**	**(128,186)**

NOTES TO THE GROUP ACCOUNTS

G1. ACCOUNTING POLICIES

The group accounts include the Council's share of the operating results, assets and liabilities of each group entity's accounts. Subsidiaries are accounted for on an acquisition basis and incorporated line-by-line, writing out inter-group transactions. Associates are incorporated by accounting for the Council's share of their operating results in the group income and expenditure accounts and of their assets in the balance sheet.

G2. INTER GROUP TRANSACTIONS

Certain figures from the balance sheets of Group members have been taken out of the consolidated position as they represent amounts outstanding within the Group and therefore cancel each other out in the balance sheet. The adjustments are as follows:

i) The Council owns shares to the value of £2,789,000 in Blackpool Transport. This has been taken out of long term investments and capital and reserves

ii) An amount of £1,159,000 representing amounts outstanding between the Council and Blackpool Operating Company has been taken out of debtors and creditors

iii) An amount of £1,537,955 representing amounts outstanding between the Council and Blackpool Coastal Housing has been taken out of debtors and creditors

G3. TAX OF SUBSIDIARIES

This figure represents the Council's share of the Corporation Tax due by its subsidiary Blackpool Operating Company, £40,000.

G4. PROPERTY, PLANT AND EQUIPMENT

	NBV 31st March 2015 £000	NBV 31st March 2014 £000
Property,Plant & Equipment held by the Council	759,842	810,448
Property,Plant & Equipment held by		
- Blackpool Transport Services	8,558	7,847
- Blackpool Operating Company	1,235	1,127
- Blackpool Coastal Housing	12	85
- Blackpool Entertainment Company	233	-
Total	**769,880**	**819,507**

G5. CASH AND CASH EQUIVALENTS

The balance of cash and cash equivalents is made up of the following elements:

	2014/15 £000	2013/14 £000
Cash and cash equivalents held by the Council	3,224	6,854
Cash and cash equivalents held by;-		
- Blackpool Transport Services	3,375	2,368
- Blackpool Operating Company	116	137
- Blackpool Coastal Housing	1,739	2,148
- Blackpool Entertainment Company	2430	
Total	**10,884**	**11,507**

G6. SHORT-TERM DEBTORS

The group short-term debtors are made up of the following amounts:

	2014/15 £000	2013/14 £000
Debtors - single entity accounts	36,450	38,790
Debtors held by;-		
- Blackpool Transport Services	1,758	1,315
- Blackpool Operating Company	318	244
- Blackpool Coastal Housing	1,145	902
- Blackpool Entertainment Company	606	-
Removal of intra group debtors	(2,697)	(2,657)
Total	**37,580**	**38,594**

G7. SHORT-TERM CREDITORS

The group short-term creditors are made up of the following amounts:

	2014/15 £000	2013/14 £000
Creditors - single entity accounts	(41,713)	(51,940)
Creditors held by;-		
- Blackpool Transport Services	(2,029)	(1,650)
- Blackpool Operating Company	(1,617)	(1,497)
- Blackpool Coastal Housing	(2,214)	(2,398)
- Blackpool Entertainment Company	(4,717)	-
Removal of intra group creditors	2,697	2,657
Total	**(49,593)**	**(54,828)**

SECTION 8

ANNUAL GOVERNANCE STATEMENT

Blackpool Council
Annual Governance Statement – 2014/2015

Scope of responsibility

Blackpool Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. Blackpool Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

The purpose of the governance framework

The governance framework comprises the system and processes, culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Blackpool Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Blackpool Council for the year ended 31st March 2015 and up to the date of the approval of the statement of accounts for that year.

The governance framework

The key elements of the systems and processes that comprise Blackpool Council's governance arrangements are summarised below.

The Council's Vision, Values and Priorities

The Council Plan describes our priorities, values and ambitions for 2013-15 and explains clearly what the Council will do to help improve the lives of local people and how the Council will measure our progress. The extract of these from the Council Plan is shown in the following boxes:

Our vision and priorities

Our vision sets out an image of the future in Blackpool that the Council wishes to create over the long term:

We will build a Blackpool where aspiration and ambition are encouraged and supported. We will seek to narrow the gap between the richest members of our society and the poorest and deliver a sustainable and fairer community, of which our communities will be proud.

We believe that it is by working together that we make a difference to the lives and prospects of people who live, work and learn in Blackpool. The Council has nine priorities for how we will focus our efforts and resources to make a positive difference to the borough of Blackpool. Eight of these concentrate on the needs of our community and fit under three main themes:

1. We will raise aspiration by:
    - Tackling child poverty, raising aspirations and improving educational achievement
    - Safeguarding and protecting the most vulnerable
2. We will become a more prosperous town by:
    - Expanding and promoting our tourism, arts, heritage and cultural offer
    - Attracting sustainable investment and creating quality jobs
    - Encouraging responsible entrepreneurship for the benefit of our communities
3. We will create healthy communities by:
    - Improving health and wellbeing especially for the most disadvantaged
    - Improving housing standards and the environment we live in by using housing investment to create stable communities
    - Creating safer communities and reducing crime and anti-social behaviour

Our ninth priority - to deliver quality services through a professional, well-rewarded and motivated workforce - ensures we have staff who are capable of delivering these priorities. Blackpool Council's vision and values set out a high level vision of how the Council will address the nine priorities of the Council.

Blackpool Councils Value's are:

- We are accountable for delivering on the promises we make and take responsibility for our actions and the outcomes achieved
- We are committed to being fair to people and treat everyone we meet with dignity and respect
- We take pride in delivering quality services that are community focused and are based on listening carefully to what people need
- We act with integrity and we are trustworthy in all our dealings with people and we are open about the decisions we make and the services we offer
- We are compassionate, caring, hard-working and committed to delivering the best services that we can with a positive and collaborative attitude

The Council Plan seeks to address the big issues and policy drivers facing local government. The Council priorities feed into departmental business plans and are a key tool for managers to use when developing business plans for the coming year. The strong golden thread from community aspirations continues through to individual performance appraisals as they are developed based on Council's vision, values and priorities.

The Council plan will be reviewed in 2015/16 with a new Council Plan consulted upon during the Sumer and published in September 2015. During the consultation a review of the priorities and values will be undertaken , this will then be refreshed as part of the business planning arrangements.

Performance Management

Over recent years the inspection regime in some areas was reduced. To help mitigate the risk of the impact of the reduced inspection regime the Council is starting to participate in more peer reviews drawing on experience from other Local Authorities and the private sector.

The Council has a performance management system in place with high level performance issues being reported to the Scrutiny Committee and local performance indicators being managed through the business planning framework.

Performance has been reported against the Council's nine priorities throughout 2014/15 on a quarterly basis. These reports have included progress made against actions, performance indicators, contextual information and progress against issues raised at Scrutiny Committee in the previous quarter.

The performance management framework was strengthened in 2014/2015 by the introduction of an annual programme of business plan challenge sessions. These meetings were chaired by the Leader of the Council and the Chief Executive and sought to undertake a progress review of the business plans from each department on a rolling programme throughout the year. The lead officer and Cabinet Member for each department were invited to attend the meeting to answer questions or provide further information for the review.

The purpose of the review process was to establish whether:

- Actions are linked to the Council's themes and priorities and key actions from the Council Plan are reflected in departmental business plans;
- Progress against business plan actions is monitored and areas of concern are addressed;
- The impact of business plan actions is evaluated and understood;
- Performance is managed effectively and priorities for improvement are identified; and
- There is evidence of cross departmental working to achieve priorities.

The performance management arrangements will be reviewed for the authority in light of the publication of the new Council Plan in 2015/2016.

Roles and Responsibilities

Responsibilities and functions are in place for each of the Council's Committees, including Licensing, Planning, Standards, Scrutiny and the Finance and Audit Committees. These are reviewed annually with any changes made at the Council's Annual Meeting, to ensure they are fit for purpose. The Executive has also agreed a set of criteria relating to levels of decision making, which provide clarity and consistency for decision makers.

All Council Officers, including the Corporate Leadership Team, have a job description which sets out their roles and responsibilities. Individual objectives for each officer are then part of the Individual Performance Appraisal process.

The Council's Constitution, including the Scheme of Delegation sets out the arrangements and protocols which are in place to enable effective communication within the authority and they also identify arrangements for working with partnerships.

Behaviour and Conduct

An elected member/ officer protocol is incorporated in the Council's Constitution and there is also a Planning Committee protocol. Training is provided to officers and members to enable them to better understand the roles of each other.

There are registers of interests and hospitality for both elected members and officers. Members must register and declare interests on appropriate occasions, supported by appropriate professional advice at any time, where this is required.

The Council's Standards Framework has specific regard to probity and high standards of ethical conduct. This is supported by the Monitoring Officer and Deputy Monitoring Officer and together with 3 independent persons appointed by Council, deal as appropriate, with any complaints referred, as part of the process.

Any development needs in terms of conduct are identified through officer Individual Performance Appraisal or member self-assessment as appropriate, a regular programme of training is also provided.

In 2014/2015 workshops were held with Standards Committee members at Blackpool Council to develop a new Member's Code of Conduct. This has now been drafted and will be approved in 2015/2016.

Employees abide by the terms of the Council's officer Code of Conduct. Where appropriate staff are expected to comply with the Constitution and Financial Regulations, these are both updated regularly and appropriate training offered on changes.

Decision Making Framework

The Constitution sets out the functions and responsibilities of the Council, the Executive and committees. Included in this are the delegation arrangements adopted by the Council and the Executive.

All Executive decisions contain all relevant policy implications including financial, risk management, human resource issues including equality analysis and legal considerations. Records of decisions and supporting materials are maintained, with public disclosure of decisions on the Council's internet site. The Monitoring

Officer or a designated representative, receive all decisions before they are processed and therefore are able to check the robustness of data quality prior to a decision being submitted for formal approval.

Certain officer decisions are now published in line with the legislation which came into force in 2014.

The Constitution is reviewed and updated on an ongoing basis.

A training session on the decision making process was delivered to approximately 50 senior managers at the Council in 2014.

Risk Management

The Corporate Risk Management Group meets quarterly to co-ordinate and promote risk management activity. It is supported by departmental and thematic risk management groups. All departments have nominated risk champions to promote best practice in their areas and risk registers are maintained for major projects and partnerships where appropriate.

The Strategic Risk Register is reviewed by the Corporate Leadership Team every six months and considered by the Finance and Audit Committee annually. Responsible officers identified in the Strategic Risk Register are required to attend Finance and Audit Committee to explain how the risks are being managed and what further mitigating controls may be required.

Counter Fraud and Anti-Corruption Arrangements

The Council has an Anti-Fraud and Corruption Statement in place and this is approved by the Finance and Audit Committee on an annual basis. Any suspected instances of fraud and corruption are reported to the Chief Internal Auditor so that an appropriate investigation into the matter can be undertaken.

A corporate fraud officer is in place to deal with a range of corporate fraud issues, including Council Tax Reduction Scheme. It is intended to increase capacity in this area in 2015/2016 to focus on insurance fraud and further proactive work.

The Council has appropriate procedures in place to deal with the risk of money laundering and also to raise awareness of the Bribery Act and ensure that appropriate controls are in place to reduce the risk.

The Council participates in the National Fraud Initiative and progress against this is monitored on a regular basis.

Management of Change and Transformation

The Council is committed to ensuring that it delivers value for money. Significant changes have been made to the Council structure and working practices to ensure the delivery of significant budget cuts. The Council continually considers ways in which further efficiency can be made to reduce costs whilst maintaining the delivery of a quality service and also considers how to effectively manage change.

Financial Management Arrangements

The Council has a designated Chief Financial Officer who holds Section 151 responsibilities with appropriate qualifications and experience and a deputy has also been appointed. The Chief Financial Officer has arrangements in place for financial management, financial reporting and value for money which are assessed annually by the Council's external auditors.

Monthly financial reporting summaries are made available to the Corporate Leadership Team, the Executive and the Finance and Audit Committee.

The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

Assurance Arrangements

The Council prepares an annual Audit Plan which is approved by the Corporate Leadership Team and the Finance and Audit Committee each year. This includes a balance of risk and compliance work. The assurance statement for each audit is reported quarterly to the Finance and Audit Committee and contributes to the Chief Internal Auditor's annual opinion. The opinion of the Chief Internal Auditor was presented to Finance and Audit Committee on the 18th June 2015.

An element of contingency is built into the Audit Plan to enable the Internal Audit Team to proactively respond to any issues which may arise throughout the year.

The Council's assurance arrangements broadly conform to the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010) and the Public Sector Internal Audit Standards. An external audit review of the Council's compliance with Public Sector Internal Audit Standards is planned for 2015/2016 and this is reviewed annually.

Monitoring Officer

The Council has designated a Monitoring Officer with appropriate qualifications and experience and a deputy has also been appointed. The Monitoring Officer has the specific duty to ensure that the Council, its officers and its elected members maintain the highest standards in all they do and is responsible to Blackpool Council for ensuring that governance procedures are followed and all applicable statutes and regulations are complied with.

Head of Paid Service

The Council has in place effective arrangements to discharge the Head of Paid Service function and this role is undertaken by the Chief Executive.

Finance and Audit Committee

The Council has a Finance and Audit Committee which meets on a regular basis. This is independent of the scrutiny framework, and as a full committee of the Council is able to discharge all the core functions of a Finance and Audit Committee identified in *CIPFA's Audit Committee: Practical Guidance for Local Authorities* including approval of the annual Statement of Accounts.

An ongoing programme of training on finance, audit and corporate governance topics is in place to ensure members have all the skills required to undertake their role.

Compliance with Laws, Regulations, Internal Policies and Procedures

The Council has an internal control framework in place which helps ensure compliance with relevant laws and regulations, internal policies and procedures and that expenditure is lawful.

All managers are expected to adhere to the Council's Constitution and Financial Regulations. Non-compliance with such procedures may result in disciplinary action.

An internal audit function is in place to provide assurance that controls are being adhered to. The Finance and Audit Committee receives copies of all audit assurance statements and has the ability to challenge officers where issues of non-compliance have been identified.

The Council's Monitoring Officer has a role in ensuring that the Council acts within the remit of relevant law and regulations and that a robust democratic process is maintained.

Whistleblowing and Complaints

A whistleblowing procedure is in place. All complaints received under this procedure are investigated by appropriate officers. A corporate complaints procedure also operated during the period to ensure that any issues raised by members of the public were fully investigated. A process has been implemented to deal with complaints which reach Stage Three of the complaints process where an independent panel of officers review and investigate the complaint before a response is provided to the complainant. This is chaired by the Deputy Chief Executive and attended by the Monitoring Officer, Chief Internal Auditor and Chief Accountant.

Training and Development

A Member Development Programme is in place which helps deliver training to elected members to help them fulfil their role.

Elected members have personal development plans in place which are used to help identify training needs and the members training budget comprises of a core budget and a further budget that is split proportionally between the political groups, to ensure that appropriate training can be delivered to all members.

A Member's induction programme was developed in 2014/2015 ahead of new Members being elected in May 2015. A range of training and development opportunities are available for officers and this is informed through the Individual Performance Appraisal process which is mandatory for all officers across the Council.

A training programme is in place for senior officers to help enhance leadership skills.

Consultation

The Council consults and engages with a diverse cross-section of the community to help ensure that their views are considered.

Public speaking is available at many meetings such as Executive, Scrutiny and the full Council meeting.

The Council produces a quarterly newsletter *Your Blackpool* which is distributed to every household in the Borough. Blackpool Council has recently invested in updating its website to help improve access to information and uses social media daily to engage with residents and visitors alike.

As part of our statutory arrangements on Health and Wellbeing, Healthwatch Blackpool has used a series of Open Events and engagement techniques to seek views on health and social care services. They have undertaken a programme of "Enter and View" visits to care homes from the CCG, carried out patient-led assessments of the care environment at hospitals, hospices and day treatment centres, and developed and delivered dentistry services.

The Council sought the views of 750 local residents through a General Household Survey, ensuring we have an accurate picture of resident’s priorities, perceptions of the Council and our services. The survey will be undertaken every two years to ensure that we deliver service imrpvements in line with resident expectations.

The Council is part of a Local Authority Research Partnership known as Infusion Research. Based in Nelson Town Hall in Pendle, they provide consultancy support on primary research and consultation programmes at a preferential rate. They worked on 27 projects in 2014/2015, including internal staff surveys plus public research on Blackpool Town Centre, the Blackpool Museum, the Air Show and Adult Learning.

The Blackpool Fairness Commission undertook a review of its governance arrangements during 2014/2015 as part of a wider consultation exercise to make sure the Commission, Its structure and membership were fit for purpose. In the last year the Commission has held a number of engagement events with older and young people, held a number of steering group meetings and championed local issues such as Fairtrade and Dementia.

Consultation also takes place with staff, particularly through the Point of View sessions where the Chief Executive meets with a wide range of employees.

Partnerships and Joint Working

Following the award of £45m of lottery funding to the Better Start project led by the NSPCC, the Council has now formed partnership arrangements to deliver projects targeting 0-3 year olds in seven of our most deprived wards. Staff based at Bickerstaffe House have been appointed and governance arrangements established to ensure the effective delivery of the project.

Review of effectiveness

Blackpool Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of executive managers within Blackpool Council, who have responsibility for the development and maintenance of the governance environment, the Chief Internal Auditor’s annual report and also by comments made by the external auditors and other review agencies and inspectorates.

A number of steps have been taken to review the effectiveness of governance arrangements in 2014/2015 and these include:

- All Directors, in conjunction with the Risk Champions have completed a control self-assessment on the internal control framework within their departments.
- The Finance and Audit Committee have undertaken a self-evaluation of their effectiveness.
- The strategic risk register has been reviewed by the Corporate Leadership Team.
- Key officers, charged with governance responsibilities, including the Monitoring Officer, Deputy Monitoring Officer, Section 151 Officer, Chief Internal Auditor and Head of Corporate Development, Engagement and Communication were involved in the review.
- The Corporate Leadership Team has had the opportunity to comment on the governance framework and statement.

The implications of the results of the effectiveness of the governance framework have been reviewed by the Finance and Audit Committee and these state that arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined below.

Significant Governance Issues

As part of the review of significant governance issues highlighted in 2013/2014 it has been deemed appropriate to remove some of the actions as these have now been effectively addressed included in this are:

Governance Issues Addressed in 2014/2015		
Issues	**Action to be taken**	**Responsible Officer**
Risk Management	The Property Risk Management Group's terms of reference and representation should be reviewed to ensure that it is working effectively. Ensure that all departments have in place an effective Departmental Risk Management Group	Director of Resources
Protect vulnerable adults and children	Ensure that adequate controls are put in place to safeguard vulnerable adults and children. Ensure steps are taken to address the control failings identified in the recent inspection reports.	Director of People

There are a number of governance issues which it would be prudent to carry forward as further work is required to fully address the issues. Additional actions have been identified as part of the 2014/2015 review of the effectiveness of the governance framework and these are captured in the following table. It should be noted that some of the issues identified are not deemed as significant but have been included to aid openness and transparency.

Governance Issues to be Addressed in 2015/2016		
Issues	**Action to be taken**	**Responsible Officer**
Delivery of corporate savings programme combined with significant demand pressures.	Departments to adhere to agreed savings targets, identifying alternative savings or income generation where pressures develop. Progress on achieving savings monitored from month 0. Plans for the management of recurrent pressures to be developed for all directorates.	Chief Executive/Director of Resources
Project management	Undertake an advisory role to ensure effective project management leads to successful project outcomes across all Council projects. Ensure effective project management leads to successful project outcomes within sphere of influence. Ensure adequate project management resource is available to deliver key projects.	Chief Executive
Property Rationalisation	Deliver Council's accommodation strategy and reduce desk footprint. Ensure that the Council's property estate is operated to maximise rental income or disposal values as appropriate. Improve asset management planning, including business continuity arrangements.	Director of Resources
Procurement	Ensure all services comply with Contract Procedure Rules. Completion of e-procurement and e-invoicing rollout. Ensure adequate time is	Director of Resources/Director of People

	committed to procurement activity and subsequent contract management. Development of integrated commissioning frameworks with economies of scale. Delivery of Personalisation agenda.	
Compliance with corporate requirements	Ensure that all staff complete mandatory training requirements. Ensure that effective workforce development planning is in place. Ensure that all Individual Performance Appraisals are completed. Ensure all business plans are in place for all directorates. Increasing compliance requirements for complaints, asset and data security, data protection and FOI requests whilst resources continue to reduce.	Deputy Chief Executive
Risk management	Ensure that all services have in place up-to-date and fit-for-purpose business continuity plans which have been tested. Changes in legislation leading to a surge in insurance claims, particularly regarding children sexual exploitation/abuse and court-determined orders with costs falling to the local authority.	Chief Executive/Director of Resources
Performance management	Performance management arrangements should be reviewed. Conclude the review of performance management with the LGA to strengthen	Deputy Chief Executive

	the integrity of reporting data bother internally and externally to residents. Review how the Council consults with its communities through the review of the Corporate Plan. Develop a comprehensive training programme for Scrutiny Committee members whose focus will be performance.	

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed: (Leader of the Council)

Signed: (Chief Executive)

SECTION 9

GLOSSARY OF TERMS

ACCOUNTING POLICIES

Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements through:

i) recognising,

ii) selecting measurement bases for; and

iii) presenting assets, liabilities, gains, losses and changes to reserves.

Accounting policies do not include estimation techniques.

Accounting policies define the process whereby transactions and other events are reflected in financial statements. For example, an accounting policy for a particular type of expenditure may specify whether an asset or a loss is to be recognised; the basis on which it is to be measured; and where in the revenue account or balance sheet it is to be presented.

ACCRUALS

The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

ACQUIRED OPERATIONS

Operations comprise services and divisions of service as defined in Service Reporting Code of Practice. Acquired operations are those operations of the local authority that are acquired in the period.

ACTUARIAL GAINS AND LOSSES

For a defined benefit scheme the changes in actuarial deficits or surpluses that arise because:

(a) events have not coincided with the actuarial assumptions made for the last valuation (experienced gains and losses); or

(b) the actuarial assumptions have changed.

ASSOCIATE COMPANY

This is an entity other than a subsidiary or joint venture in which the Council has a participating interest and over whose operating and financial policies the Council is able to exercise significant influence.

CAPITAL CHARGE

A charge to service revenue accounts to reflect the cost of non current assets used in the provision of services.

CAPITAL EXPENDITURE

Expenditure above £15,000 on the acquisition of a non current asset or expenditure which adds to and not merely maintains the value of an existing fixed asset.

CAPITAL RECEIPTS

Proceeds above £10,000 from the sale of capital assets. Such income may only be used for capital purposes, ie to repay existing loan debt or to finance new capital expenditure. Any receipts which have not yet been utilised as described are referred to as “capital receipts unapplied”.

CIPFA

The Chartered Institute of Public Finance and Accountancy - the Institute provides financial and statistical information for local government and other public sector bodies and advises central government and other bodies on local government and public finance matters.

CLASS OF NON CURRENT ASSETS

The classes of non-current assets required to be included in the accounting statements are:

Operational assets

- council dwellings
- other land and buildings
- vehicles, plant, furniture and equipment
- infrastructure assets
- community assets

Non-operational assets

- Investment properties
- Assets under construction
- Surplus assets, held for disposal

COLLECTION FUND

A statutory account which billing authorities have to maintain for the collection and distribution of amounts due in respect of Council Tax and Non-Domestic Rates.

COMMUNITY ASSETS

Assets that the local authority intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

CONSISTENCY

The principle that the accounting treatment of like items within an accounting period and from one period to the next is the same.

CONTINGENT ASSET

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the local authority's control.

CONTINGENT LIABILITY

A contingent liability is either:

(a) a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the authority's control; or
(b) a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

CORPORATE AND DEMOCRATIC CORE

The corporate and democratic core comprises all activities which local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

COUNCIL TAX

A banded property tax which is levied on domestic properties throughout the country. The banding is based on estimated property values as at 1st April 1991. The level of tax is set annually by each local authority for the properties in its area.

CREDITORS

Amounts owed by the Council for work done, goods received or services rendered to it during the accounting period, but for which payment has not been made by the balance sheet date.

CURRENT ASSETS

Assets which will be consumed or cease to have value within the next accounting period, e.g. inventories and debtors.

CURRENT LIABILITIES

Amounts which will become payable or could be called in within the next accounting period, e.g. creditors and cash overdrawn.

CURRENT SERVICE COST (PENSIONS)

The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

CURTAILMENT

For a defined benefit scheme, an event that reduces the expected years of future services of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include:

- termination of employees' services earlier than expected, for example as a result of closing a factory or discontinuing a segment of a business, and
- termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

DEBTORS

Amounts due to the Council which relate to the accounting period and have not been received by the balance sheet date.

DEFINED BENEFIT SCHEME

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

DEFINED CONTRIBUTION SCHEME

A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

DEPRECIATION

The measure of the cost or revalued amount of the benefits of the non-current asset that have been consumed during the period.

Consumption includes the wearing out, using up or other reduction in the useful life of a fixed asset, whether arising from use, effluxion of time or obsolescence through either changes in technology or demand for the goods and services produced by the asset.

DISCONTINUED OPERATIONS

Operations comprise services and divisions of service as defined in CIPFA's Standard Classification of Income and Expenditure. An operation should be classified as discontinued if all the following conditions are met:

- the termination of the operation is completed either in the period or before the earlier of three months after the commencement of the subsequent period and the date on which the financial statements are approved.
- The activities relating to the operations have ceased permanently.
- The termination of the operation has a material effect on the nature and focus of the local authority's operations and represents a material reduction in its provision of services resulting either from its withdrawal from a particular activity (whether a service or division of service or its provision in a specific geographical area) or from a material reduction in net expenditure in the local authority's continuing operations.
- The assets, liabilities, income and expenditure of operations and activities are clearly distinguishable physically, operationally and for financial reporting purposes..

Operations not satisfying all these conditions are classified as continuing.

DISCRETIONARY BENEFITS

Retirement benefits which the employer has no legal, contractual or constructive obligation to award and are awarded under the authority's discretionary powers, such as the Local Government (Discretionary Payments) Regulations 1996.

EMOLUMENTS

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by either employer or employee are excluded.

ESTIMATION TECHNIQUES

The methods adopted by an entity to arrive at estimated monetary amounts, corresponding to the measurement bases selected, for assets, liabilities, gains, losses and changes to reserves.

Estimation techniques implement the measurement aspects of accounting policies. An accounting policy will specify the basis on which an item is to be measured; where there is uncertainty over the monetary amount corresponding to that basis, the amount will be arrived at by using an estimation technique. Estimation techniques include, for example:

- Methods of depreciation, such as straight line and reducing balance, applied in the context of a particular measurement basis, used to estimate the proportion of the economic benefits of a non- current asset consumed in period.
- Different methods used to estimate the proportion of debts that will not be recovered, particularly where such methods consider a population as a whole rather than individual balances.

EXCEPTIONAL ITEMS

Material items which derive from events or transactions that fall within the ordinary activities of the authority and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

EXPECTED RATE OF RETURN ON PENSIONS ASSETS

For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme**.**

EXTRAORDINARY ITEMS

Material items possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the authority and which are not expected to recur.

FINANCE LEASE

A lease that transfers substantially all of the risks and rewards of ownership of a non current asset to the lessee. Such a transfer of risks and rewards may be presumed to occur if at the inception of the lease the present value of the minimum lease payments, including any initial payment, amounts to substantially all of the fair value of the leased asset.

FINANCIAL YEAR

The Council's financial year runs from the 1st April through to the following 31st March.

FORMULA GRANT

Grant distributed by formula through the local government finance settlement. It comprises Revenue Support Grant and redistributed business rates (NNDR). It is a general subsidy towards council spending and is not ring-fenced for specific services.

GENERAL FUND

The main revenue account of the Council which brings together all income and expenditure other than that recorded in the Housing Revenue Account and the Collection Fund.

HOUSING REVENUE ACCOUNT

A statutory account which local authorities have to maintain if they provide public housing and which includes all income and expenditure relating to the administration and maintenance of council dwellings and related properties.

IMPAIRMENT

A reduction in the value of a fixed asset below its value brought forward in the Balance Sheet. Examples of factors which may cause such a reduction in value include general price decreases, a significant decline in a fixed asset's market value and evidence of obsolescence or physical damage to the asset.

INFRASTRUCTURE ASSETS
Fixed assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples are highways and footpaths.

INTEREST COST (PENSIONS)
For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

INTERNATIONAL ACCOUNTING STANDARDS (IAS)

Accounting standards developed by the International Accounting Standards Board that are primarily applicable to general purpose company accounts. These standards are adopted by the CIPFA Code of Practice except where the standards conflict with specific statutory requirements.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

Financial reporting standards developed by the International Accounting Standards Board.

INVENTORIES

The amount of unused or unconsumed stocks held in expectation of future use. When use will not arise until a later period, it is appropriate to carry forward the amount to be matched to the use or consumption when it arises. Stocks comprise the following categories: goods or other assets purchased for resale, consumable stores, raw materials and components purchased for incorporation into products for sale, products and services in intermediate stages of completion, long-term contract balances and finished goods.

INVESTMENTS (NON-PENSIONS FUND)
A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the authority. Investments should be so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment.

Investments, other than those in relation to the pensions fund, that do not meet the above criteria should be classified as current assets.

LEA
Local Education Authority – a local authority with the statutory responsibility for securing the provision of education in its area.

MINIMUM REVENUE PROVISION
Minimum revenue provision is the minimum amount which must be charged to an Authority's revenue account each year and set aside as provision for credit liabilities, as required by the Local Government and Housing Act 1989.

NATIONAL NON-DOMESTIC RATES (NNDR)
A tax levied on business properties and sometimes known as Business Rates. An NNDR poundage is set annually by the Government. Sums based on rateable values are collected by billing authorities and paid into a national pool. The proceeds are then redistributed by central government as a grant to local authorities in proportion to adult population.

NET BOOK VALUE

The amount at which non-current assets are included in the balance sheet, i.e historic cost or current value less the cumulative amounts provided for depreciation.

NET CURRENT REPLACEMENT COST

The cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

NET REALISABLE VALUE

The open market value of an asset in its existing use less the expenses to be incurred in realising the asset.

NON CURRENT ASSETS (previously fixed assets)

Assets that yield benefits to the local authority and the services it provides for a period of more than one year.

OPERATING LEASES

Leases which do not meet the definition of a finance lease, ie where the terms of the lease transfer substantially all the risks and rewards incidental to the ownership of the property, plant and equipment from the lessor to the lessee, are accounted for as operating leases.

PAST SERVICE COST

For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

PRIVATE FINANCE INITIATIVE (PFI)

A central Government initiative which aims to increase the level of funding available for public services by attracting private sources of finance. The PFI is supported by a number of incentives to encourage Authority’s participation.

PROVISION

An amount set aside by the Council for any liability of uncertain timing or amount that has been incurred.

PRUDENTIAL CODE FOR CAPITAL FINANCE

The Code was introduced from 1st April 2004. The basic principle of the Code is that local authorities will be free to invest so long as their capital spending plans are affordable, prudent and sustainable. The Code sets out indicators that the authority must use and factors that they must take account to demonstrate that they have fulfilled this objective.

RESERVES

Amounts set aside in the accounts to meet expenditure which the Council may be committed to in future periods, but not allocated to specific liabilities which are certain or very likely to occur.

Earmarked reserves are allocated to a specific purpose or area of spending. Unallocated reserves are often described as balances.

REVENUE ACCOUNT

An account which records all annual running costs and the associated income.

REVENUE EXPENDITURE

Expenditure incurred on the day-to-day running of the Council.

REVENUE SUPPORT GRANT

A central government grant paid to each local authority to help to finance its general expenditure. The distribution of the grant between authorities is intended to allow the provision of similar standards of service throughout the country for a similar council tax levy.

SERVICE REPORTING CODE OF PRACTICE

A code of practice prepared to provide accounting guidance on financial reporting to stakeholders which is designed to enhance the comparability of local authority financial information. The code represents proper accounting practice for the purpose of best value reporting.

SUPPORTED CAPITAL EXPENDITURE (REVENUE) (SCE(R))

Replaces Basic Credit Approvals from 2004/2005 under the Local Government Act 2003. A specific amount of capital expenditure for which the Government will support the borrowing via RSG grant.

WORK IN PROGRESS

The cost of work undertaken up to a specified date on an uncompleted revenue project.

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KPMG

cutting through complexity

Report to those charged with governance (ISA 260) 2014/15

Blackpool Council

September 2015

Contents

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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on Public Sector Audit Appointment's website (www.psaa.co.uk).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Trevor Rees, the engagement lead to the Authority, who will try to resolve your complaint. Trevor is also the national contact partner for all of KPMG's work with the Audit Commission. If you are dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk, by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

Introduction

This document summarises:

- **the key issues identified during our audit of the financial statements for the year ended 31 March 2015 for the Authority; and**
- **our assessment of the Authority's arrangements to secure value for money.**

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Scope of this report

This report summarises the key findings arising from:

- our audit work at Blackpool Council ('the Authority') in relation to the Authority's 2014/15 financial statements; and
- the work to support our 2014/15 conclusion on the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources ('VFM conclusion').

Financial statements

Our *External Audit Plan 2014/15*, presented to you in January 2015, set out the four stages of our financial statements audit process.

This report focuses on the third stage of the process: substantive procedures. Our on site work for this took place during August 2015.

We are now in the final phase of the audit, the completion stage. Some aspects of this stage are also discharged through this report.

VFM conclusion

Our *External Audit Plan 2014/15* explained our risk-based approach to VFM work. We have now completed the work to support our 2014/15 VFM conclusion. This included:

- assessing the potential VFM risks and identifying the residual audit risks for our VFM conclusion;
- considering the results of any relevant work by the Authority and other inspectorates and review agencies in relation to these risk areas; and
- carrying out additional risk-based work.

Structure of this report

This report is structured as follows:

- Section 2 summarises the headline messages.
- Section 3 sets out our key findings from our audit work in relation to the 2014/15 financial statements of the Authority.
- Section 4 outlines our key findings from our work on the VFM conclusion. are included in Appendix 1. We have also reviewed your progress in implementing prior recommendations and this is detailed in Appendix 2.

Acknowledgements

We would like to thank officers and Members for their continuing help and co-operation throughout our audit work.

Headlines

This table summarises the headline messages for the Authority. The remainder of this report provides further details on each area.

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Proposed audit opinion	Our overall audit approach is unchanged from last year. Our work is carried out in four stages and the timings for these and our work on site has been agreed with the Director of Resources. We anticipate issuing an unqualified audit opinion on the Authority's financial statements by 30 September 2015. We will also report that your Annual Governance Statement complies with guidance issued by CIPFA/SOLACE in June 2007.
Audit adjustments	Our audit has identified one audit difference that relates to 2014/15. This balance is not been adjusted by the Authority but as it is not material, it does not have an effect on our audit opinion. The details of the difference are provided in Appendix 3. We have also identified a number of control recommendations from our work. This is summarised in Appendix 1.
Key financial statements audit risks	We review risks to the financial statements on an ongoing basis. Other than those reported to you in our Audit Plan, and reported in section 3, we identified no additional significant risks specific to the Authority during 2014/15 with respect to the financial statements. We are satisfied that the Authority has appropriate arrangements in place to address the risks and issues that we have identified. See Section 3 for details of our findings.
Accounts production and audit process	We have noted an improvement in the quality of the accounts and the supporting working papers. Officers dealt efficiently with audit queries and the audit process has been completed within the planned timescales. The Authority has implemented all of the recommendations in our *ISA 260 Report 2013/14* relating to the financial statements. The Authority has good processes in place for the production of the accounts and good quality supporting working papers. Officers dealt efficiently with audit queries and the audit process has been completed within the planned timescales.
Completion	At the date of this report our audit of the financial statements is substantially complete subject to completion of the following areas: ■ Completion of whole of government accounts review. ■ Review of final subsidiary accounts ■ Review of post balance sheet events up to the date of signing the audit report. Before we can issue our opinion we require a signed management representation letter. We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.

Headlines

VFM conclusion and risk areas	We identified a VFM risk about the Authority's savings plans in our Audit Plan, issued in January 2015. We have worked with officers throughout the year to discuss these VFM risks and our detailed findings are reported in section 4 of this report. There are no matters of any significance arising as result of our audit work in these VFM risk areas. We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We therefore anticipate issuing an unqualified VFM conclusion by 30 September 2015.

Financial Statements
Proposed opinion and audit differences

We have identified one audit difference that has not been adjusted for. It is not material to the accounts, but is above our posting threshold.

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Proposed audit opinion

Subject to all outstanding queries being resolved to our satisfaction, we anticipate issuing an unqualified audit opinion on the Authority's financial statements following approval of the Statement of Accounts by the Audit Committee on 24 September.

Audit differences

In accordance with ISA 260 we are required to report uncorrected audit differences to you. We also report any material misstatements which have been corrected and which we believe should be communicated to you to help you meet your governance responsibilities.

The final materiality (see Appendix 5 for more information on materiality) level for this year's audit was set at £10.7 million. Audit differences below £535,000 are not considered significant and fall below our threshold for reporting to the Audit Committee.

We identified one difference that was above our reporting threshold, but was not material. The Council has not adjusted for this item, which relates to the changes in accounting guidance for voluntary aided schools. We also identified a number of issues that have been adjusted by management which fall below the threshold for reporting to the Audit Committee.

The table opposite details the balances tested on the balance sheet, none of which require adjusting materially.

In addition, we identified a small number of presentational adjustments required to ensure that the accounts are compliant with the *Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 ('the Code')*. We understand that the Authority will be addressing these where significant.

Annual Governance Statement

We have reviewed the Annual Governance Statement and confirmed that:

- it complies with *Delivering Good Governance in Local Government: A Framework* published by CIPFA/SOLACE; and
- it is not misleading or inconsistent with other information we are aware of from our audit of the financial statements.

Balance Sheet as at 31 March 2015

	£m
Property, plant and equipment	759,842
Other long term assets	42,484
Current assets	41,587
Current liabilities	(125,462)
Long term liabilities	(435,296)
Net worth	**283,155**
General Fund	11,242
Other usable reserves	59,460
Unusable reserves	212,453
Total reserves	**283,155**

Financial Statements (continued)
Significant risks and key areas of audit focus

We have worked with the Authority throughout the year to discuss significant risks and key areas of audit focus

This section sets out our detailed findings on those risks

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In our External Audit Plan 2014/15, presented to you in January 2015, we identified two significant risks affecting the Authority's 2014/15 financial statements, which are those required by auditing standards. We also identified three areas of audit focus. These are not considered as significant risks but areas of importance where we would carry out some substantive audit procedures to ensure there is no risk of material misstatement.

We have now completed our testing. The table sets out our detailed findings for these areas of audit focus.

Area of audit focus	Issue	Findings
Payroll	The size of the Authority's payroll costs require this to be an area of audit focus, despite the routine nature of many of the transactions. **Our proposed audit work** We will compare the payroll costs recognised in the general ledger to our expectations, based on our knowledge of the force, to ensure that the overall payroll costs are reasonable. Specific elements of the remuneration report will be agreed back to payroll records held by the force.	We have reviewed the payroll costs recognised in the general ledger to our expectations, based on our knowledge of the organisation, to ensure that the overall payroll costs are reasonable. We have also agreed key personnel expense disclosures within the financial statements back to payroll records and have ensured that the presentation of these elements are consistent with the Local Government Code of Practice 2014/15. We have benchmarked the key assumptions used by the Local Council Pension Fund actuaries against KPMG's standard assumptions. We have found that the assumptions used are in line with the expectations of KPMG's standard assumptions. As part of our audit work we have also: ■ reviewed the internal processes and procedures associated with obtaining and reporting pensions data within the financial statements; ■ reviewed relevant actuarial valuation documentation and considered the disclosure implications on the 2014/15 financial statements; and ■ reviewed the information passed to your actuaries to enable them to complete their calculations. Our work has not identified any issues which we need to report to you as part of this report.

Financial Statements (continued)
Significant risks and key areas of audit focus (continued)

Significant audit risk	Issue	Findings
PPE	The size and unique nature of the Authority's fixed asset balances requires this to be an area of audit focus. **Our proposed audit work** We will review the valuation exercise undertaken by the Authority as at 31 March 2015 to ensure that increases in asset valuations are recognised appropriately in the Authority's balance sheet. We will also focus on fixed asset additions to ensure that they have been accounted for correctly within the financial statements.	The Authority gained a £2.02 million increase in the revaluation reserve with a decrease in valuation of £9.89 million taken to the provision of services. We have reviewed the assumptions made in relation to these valuations by the internal valuers. Valuations have been agreed to the third party report along with confirming that the correct accounting treatment has been applied to appropriately recognise the asset in the balance sheet. A sample of additions were also tested and agreed back to supporting documentation. From our audit work we have gained assurance that the treatment and recognition of PPE is recognised appropriately on the balance sheet with no material misstatement identified
Cash	Cash is an area that, due to its nature, will always be an area of special audit focus. **Our proposed audit work** We will verify the bank and loan balances held by the Authority to ensure that these are supported by third party confirmations.	The Authority's cash balance is £3.57 million in 2014/15 compared to £6.85 million in 2013/14. The reduction is mainly attributed to the creation of the Blackpool Entertainment Company as a wholly owned subsidiary of the Authority, maintaining its own cash balances; these balances were held by the Authority last year. We have agreed the cash balance to supporting third party confirmation as well as agreeing to the trial balance and year end bank reconciliation. Supporting documents such as bank statements and general ledger entries were also reviewed. In additions, loans and borrowing were confirmed to third party documentation.

Financial Statements (continued)
Significant risks and key areas of audit focus (continued)

In our *External Audit Plan 2014/15* we reported that we would consider two risk areas that are specifically required by professional standards and report our findings to you. These risk areas were management override of controls and the fraud risk of revenue recognition.

The table below sets out the outcome of our audit procedures and assessment on these risk areas.

Areas of significant risk	Summary of findings
Management override of controls Audit areas affected ▪ All areas	Our audit methodology incorporates the risk of management override as a default significant risk. Management is typically in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We have not identified any specific additional risks of management override relating to this audit. In line with our methodology, we carried out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual. There are no matters arising from this work that we need to bring to your attention.
Fraud risk of revenue recognition Audit areas affected ▪ None	Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk. In our External Audit Plan 2014/15 we reported that we do not consider this to be a significant risk for Local Authorities as there is unlikely to be an incentive to fraudulently recognise revenue. This is still the case. Since we have rebutted this presumed risk, there has been no impact on our audit work.

Financial Statements (continued)
Accounts production and audit process

The Authority has a well established and sound accounts production process. This operated well in 2014/15, and the standard of accounts and supporting working papers was good.

Officers dealt promptly and efficiently with audit queries and the audit process was completed within the planned timescales.

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Accounts production and audit process

ISA 260 requires us to communicate to you our views about the significant qualitative aspects of the Authority's accounting practices and financial reporting. We also assessed the Authority's process for preparing the accounts and its support for an efficient audit.

We considered the following criteria:

Element	Commentary
Accounting practices and financial reporting	The Authority continues to maintain a good financial reporting process and produce statements of accounts to a good standard. We consider that accounting practices are appropriate
Completeness of draft accounts	We received a complete set of draft accounts on 3 August 2015. The Authority have made a small number of presentational changes to the accounts presented for audit however there have been no changes which we consider to be fundamental.
Quality of supporting working papers	We issued our *Accounts Audit Protocol* including our required working papers for the audit on 15 June 2015. The quality of working papers provided was high and fully met the standards specified in our *Accounts Audit Protocol*.
Response to audit queries	Officers resolved all audit queries in a timely manner.

Element	Commentary
Group audit	To gain assurance over the Authority's group accounts, we placed reliance on work completed by Baker Tilly on the financial statements of *Blackpool Coastal Housing*. There are no specific matters to report pertaining to the group audit.

Prior year recommendations

As part of our audit we have specifically followed up the Authority's progress in addressing the recommendation in last year's ISA 260 report.

The Authority has implemented the recommendation in our *ISA 260 Report 2013/14*.

Appendix 2 provides further details.

Financial Statements (continued)
Completion

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.

Before we can issue our opinion we require a signed management representation letter.

Once we have finalised our opinions and conclusions we will prepare our *Annual Audit Letter* and close our audit.

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Declaration of independence and objectivity

As part of the finalisation process we are required to provide you with representations concerning our independence.

In relation to the audit of the financial statements of Blackpool Council for the year ending 31 March 2015, we confirm that there were no relationships between KPMG LLP and Blackpool Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

We have provided a detailed declaration in Appendix 4 in accordance with ISA 260.

Management representations

You are required to provide us with representations on specific matters such as your financial standing and whether the transactions within the accounts are legal and unaffected by fraud. We have provided a template to the Responsible Finance Officer for presentation to the Audit Committee. We require a signed copy of your management representations before we issue our audit opinion.

Other matters

ISA 260 requires us to communicate to you by exception 'audit matters of governance interest that arise from the audit of the financial statements' which include:

- significant difficulties encountered during the audit;
- significant matters arising from the audit that were discussed, or subject to correspondence with management;
- other matters, if arising from the audit that, in the auditor's professional judgment, are significant to the oversight of the financial reporting process; and
- matters specifically required by other auditing standards to be communicated to those charged with governance (e.g. significant deficiencies in internal control; issues relating to fraud, compliance with laws and regulations, subsequent events, non disclosure, related party, public interest reporting, questions/objections, opening balances etc).

There are no others matters which we wish to draw to your attention in addition to those highlighted in this report.

Value for Money
VFM conclusion

Our VFM conclusion considers how the Authority secures financial resilience and challenges how it secures economy, efficiency and effectiveness.

We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

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Background

Auditors are required to give their statutory VFM conclusion based on two criteria specified by the Audit Commission. These consider whether the Authority has proper arrangements in place for:

- securing financial resilience: looking at the Authority's financial governance, financial planning and financial control processes; and
- challenging how it secures economy, efficiency and effectiveness: looking at how the Authority is prioritising resources and improving efficiency and productivity.

We follow a risk based approach to target audit effort on the areas of greatest audit risk. We consider the arrangements put in place by the Authority to mitigate these risks and plan our work accordingly.

The key elements of the VFM audit approach are summarised in the diagram below.

Work completed

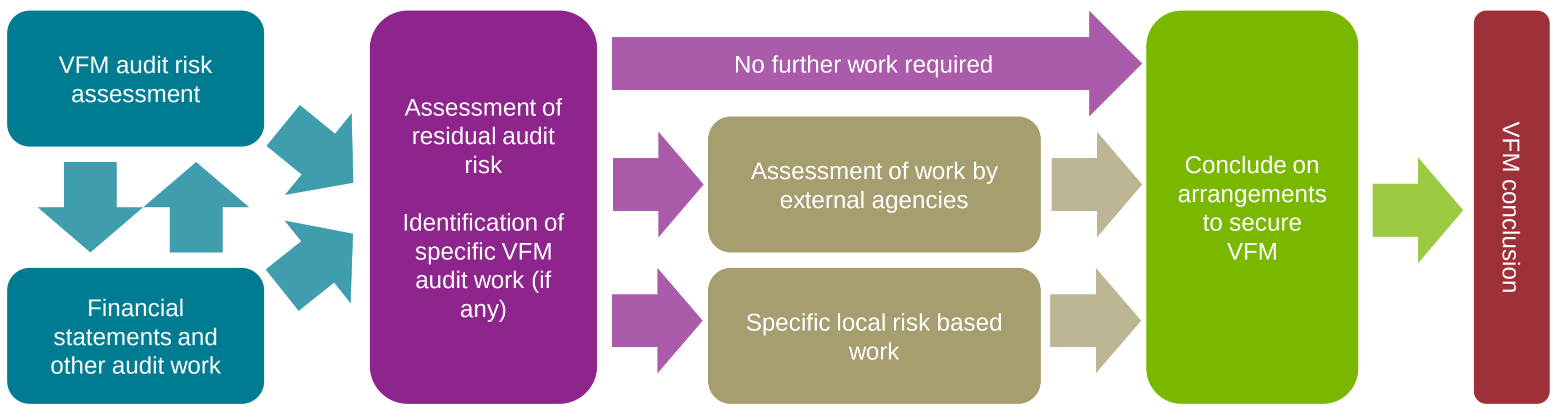
We performed a risk assessment earlier in the year and have reviewed this throughout the year.

We identified one potentially significant risk to our VFM conclusion which required us to undertake.

Conclusion

We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

VFM criterion	Met
Securing financial resilience	✓
Securing economy, efficiency and effectiveness	✓



Value for Money (continued)
Specific VFM risks

We have identified one specific VFM risk.

We are satisfied that external or internal scrutiny and the additional work that we have undertaken provides sufficient assurance that the Authority's current arrangements in relation to this risk area are adequate.

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Work completed

In line with the risk-based approach set out on the previous page, and in our *External Audit Plan* we have:

- assessed the Authority's key business risks which are relevant to our VFM conclusion;
- identified the residual audit risks for our VFM conclusion, taking account of work undertaken in previous years or as part of our financial statements audit;
- considered the results of relevant work by the Authority, inspectorates and review agencies in relation to these risk areas

Key findings

Below we set out the findings in respect of those areas where we have identified a residual audit risk for our VFM conclusion.

We concluded that we did not need to carry out additional work for these risks as there was sufficient relevant work that had completed by the Authority, inspectorates and review agencies in relation to these risk areas.

Key VFM risk	Risk description and link to VFM conclusion	Assessment
	The Authority is required to make further additional savings after 2014/15 as a result of the reductions on overall funding it is expected to receive. In 2015/16, savings of £25 million per annum are required, with additional year on year savings of £20 million p.a. required in 2016/17, and an additional £13 million p.a. required in 2017/18. The savings required for 2015/16 have now been identified by the Authority, but further work is still required to identify the additional savings required in future years, principally to address future reductions to local authority funding alongside service cost and demand pressures. The need for savings will have a significant impact on the Authority's financial resilience.	The Authority's medium term financial plan covers the period to 2017/18. It identifies the funding sources available to the Authority each financial year, the cost base brought forward from the previous year, and the inflationary pressures on this cost base. The assumptions driving this element of the plan were reviewed, and considered to be reasonable. The other significant element of the plan is the annual savings plans contained within the plan, that reduce the annual costs facing the Authority and bring the expenditure for the year into balance with the funding available. These savings requirements were £25.2 million in 2015/16, £19.7 million in 2016/17 and £12.6 million in 2017/18. The Authority has delivered 100% of its savings plans for 2014/15, and has firm plans in place to deliver 100% of the 2015/16 savings requirements as well. These are also on schedule to be delivered. On this basis, we believe that the Authority's plans demonstrate that appropriate arrangements are in place to deliver value for money.

Appendix 1: Key issues and recommendations

We have given each recommendation a risk rating and agreed what action management will need to take.

The Authority should closely monitor progress in addressing specific risks and implementing our recommendations.

We will formally follow up these recommendations next year.

Priority rating for recommendations		
❶ ***Priority one***: issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.	❷ ***Priority two***: issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.	❸ ***Priority three***: issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.

No.	Risk	Issue and recommendation	Management response / responsible officer / due date
1	❷	**Payroll reconciliation segregation of duties** It was identified from review of the monthly payroll reconciliations, the same individual prepares and authorises the reconciliation. There is a risk that the payroll inaccuracies are not being followed up correctly along with a risk of fraud with no segregation of duties being identified. ***Recommendation*** We recommend that the Authority implement a segregation of duties during this reconciliation. We are aware the initial preparer left the Authority last year and that finance are aware of this issue.	***Management response*** We are aware of this issue. However, with reduced levels of staff, segregation of duties is proving more difficult. This situation will worsen in future years due to the forecast levels of cuts required. We will review the procedures for 2015/16. ***Responsible officer*** Phil Redmond ***Due date*** March 2016

Appendix 1: Key issues and recommendations

No.	Risk	Issue and recommendation	Management response / responsible officer / due date
2	2	**Disabling leavers on finance system** From the IT review of the finance system, seven leavers were identified as having left the Authority but had not had their access to the finance system disabled. Although we have gained assurance that these leavers were removed in a timely basis, there is a risk that leavers can access confidential information after they have left. ***Recommendation*** We understand that finance has strengthened its procedures for reviewing the list of leavers provided by HR to ensure all leavers with finance system access are identified. However, we recommend that the Authority examine the issue of system access on an Authority-wide basis to identify a way for system administrators to be notified of leavers with access to their system automatically, removing the need for these administrators in finance, and other departments of the Authority, to individually scan review lists of all members of staff who have left the Authority and identify those that are relevant to their system. This will make the process more efficient for the Authority as a whole.	***Management response*** A review of the financial systems procedures have taken place and procedures have been strengthened to prevent this occurring in future. However, we welcome KPMG's proposal for an Authority-wide review to identify ways to make the process more efficient. ***Responsible officer*** Carmel McKeogh / Tony Doyle ***Due date*** March 2016

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Appendix 1: Key issues and recommendations

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No.	Risk	Issue and recommendation	Management response / responsible officer / due date
3	2	**Recognition of school assets** New accounting guidance was issued by CIPFA on the recognition of voluntary aided schools in local authority balance sheets. We reviewed the status of the voluntary aided schools identified in the Council's balance sheet. Of these, there were two schools (St John Vianney and St Kentigerns, both Catholic primary schools) that, in our interpretation of the guidance, should not be recognized by the Council. This is because the Lancaster Diocese has not relinquished the rights its ownership of the school conveys. There is a risk that the Authority have overstated assets by recording long-term school assets to which the Council does not have the risks and rewards of ownership. ***Recommendation*** We recommend the Authority reviews its accounting treatment of the two schools affected, and considers whether a change in accounting treatment should be adopted in the 2015/16 financial statements.	***Management response*** These schools were brought onto the balance sheet in 2001/02 on the instruction of the Audit Commission. Although the assets are not owned by the Authority, we believe that the Authority receives economic benefits and future provision of service. Therefore they remained on the balance sheet. We will review the accounting treatment of these schools in 2015/16. ***Responsible officer*** Phil Redmond / David Fish ***Due date*** March 2016
4	3	**Transfer agreement from School to Academy** From a sample schools converted to academies, two out of the four tested did not have an original transfer agreement signed by both parties. There is a risk that the terms of the contract and ownership of assets are not agreed upon. ***Recommendation*** The Authority should ensure controls are in place to obtain a signed copy of the transfer agreement from both parties and that this is in place for all Academies.	***Management response*** Legal Services have been informed of this and will ensure fully signed documents are kept on file for future Academy transfers. ***Responsible officer*** Carmel White ***Due date*** March 2016

Appendix 2: Follow up of prior year recommendations

The Authority has implemented the recommendation raised in our *ISA 260 Report 2013/14.*

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This appendix summarises the progress made to implement the recommendations identified in our *ISA 260 Report 2013/14* and re-iterates any recommendations still outstanding.

Number of recommendations that were:	
Included in original report	1
Implemented in year or superseded	1
Remain outstanding (re-iterated below)	0

No.	Risk	Issue and recommendation	Officer responsible and due date	Status as at August 2015
1	2	**Disposing of new build Academies** It was identified through our testing of Property, Plant and Equipment (PPE), that a new build Academy opened during the year was incorrectly classified as an Asset under Construction. The Academy should no longer be categorised on the balance sheet and should be treated as a fixed asset disposal in the Comprehensive Income and Expenditure Account (CIES). Although the Authority has a process to ensure new Academies are recognised and appropriately disposed of on the balance sheet, this Academy was overlooked due to being a new build as opposed to a converted school. **Recommendation** The Authority need to ensure existing controls around the disposal of converted Academies incorporate the disposal of new build Academies.	**Responsible officer** David Fish **Due date** 31 March 2015	Disposals are discussed during senior management meetings. The Fixed asset team are updated regularly from these meetings. Disposals are then reconciled and reviewed on a regular basis on the fixed asset register. From our audit work around disposals, this was reviewed and there were no further issues identified. **Implemented**

Appendix 3: Audit differences

This appendix sets out the audit differences.

The financial statements have been amended for all bar one of the errors identified through the audit process.

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We are required by ISA 260 to report all uncorrected misstatements, other than those that we believe are clearly trivial, to those charged with governance (which in your case is the Audit Committee). We are also required to report all material misstatements that have been corrected but that we believe should be communicated to you to assist you in fulfilling your governance responsibilities.

Uncorrected audit differences

The following table sets out the uncorrected audit difference identified by our audit of Blackpool Council's financial statements for the year ended 31 March 2015.

	Impact					Basis of audit difference
No.	Income and Expenditure Statement	Movement in Reserves Statement	Assets	Liabilities	Reserves	
1			Cr Property, Plant and Equipment £3.18 million		Dr Revaluation Reserve £3.18 million	It is KPMG's view that the new accounting guidance issued by CIPFA requires two of the Authority's Roman Catholic primary schools be de-recognized from the Authority's balance sheet.
	£nil	**£nil**	**Cr £3.18 million**	**£nil**	**Dr £3.18 million**	**Total impact of uncorrected audit differences**

Corrected audit differences

There are no significant audit differences that have been adjusted for in the financial statements.

Our audit identified a small number of non-significant errors in the financial statements. These have been discussed with management and the financial statements have been amended for all of them.

Appendix 3: Audit differences (continued)

Presentational amendments

A number of minor amendments focused on presentational improvements have also been made to the draft financial statements. Below, we have listed the presentational amendments which were deemed of sufficient significance to be reported separately:

Financial Instruments

We identified the Financial Instruments disclosure did not disclose all financial instrument related figures. The Authority are aware of this and are in the process of revising this disclosure in line with the 2014/15 accounts. There is no impact on the financial statements.

Related Parties

Due to the number of related party disclosures in the year, we have advised the Authority to reword the related party note to consider all parties overall rather than individually. This is comparative to other local councils in the area.

It should be noted that all of the above are presentational issues only and did not have an impact on the Authority's historic surplus for the year. In addition, all have been amended as appropriate in the updated set of financial statements. The Finance Department are committed to continuous improvement in the quality of the financial statements submitted for audit in future years.

Appendix 4: Declaration of independence and objectivity

The *Code of Audit Practice* requires us to exercise our professional judgement and act independently of both Public Sector Audit Appointments Ltd and the Authority.

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Requirements

Auditors appointed by Public Sector Audit Appointments Ltd must comply with the *Code of Audit Practice* (the 'Code') which states that:

"Auditors and their staff should exercise their professional judgement and act independently of both the Commission and the audited body. Auditors, or any firm with which an auditor is associated, should not carry out work for an audited body that does not relate directly to the discharge of auditors' functions, if it would impair the auditors' independence or might give rise to a reasonable perception that their independence could be impaired."

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code, the detailed provisions of the Statement of Independence included within the Public Sector Audit Appointments Ltd *Terms of Appointment* ('Public Sector Audit Appointments Ltd Guidance') and the requirements of APB Ethical Standard 1 *Integrity, Objectivity and Independence* ('Ethical Standards').

The Code states that, in carrying out their audit of the financial statements, auditors should comply with auditing standards currently in force, and as may be amended from time to time. Public Sector Audit Appointments Ltd guidance requires appointed auditors to follow the provisions of ISA (UK &I) 260 *Communication of Audit Matters with Those Charged with Governance*' that are applicable to the audit of listed companies. This means that the appointed auditor must disclose in writing:

- Details of all relationships between the auditor and the client, its directors and senior management and its affiliates, including all services provided by the audit firm and its network to the client, its directors and senior management and its affiliates, that the auditor considers may reasonably be thought to bear on the auditor's objectivity and independence.
- The related safeguards that are in place.
- The total amount of fees that the auditor and the auditor's network firms have charged to the client and its affiliates for the provision of services during the reporting period, analysed into appropriate categories, for example, statutory audit services, further audit services, tax advisory services and other non-audit services. For each category, the amounts of any future services which have been contracted or where a written proposal has been submitted are separately disclosed. We do this in our *Annual Audit Letter*.

Appointed auditors are also required to confirm in writing that they have complied with Ethical Standards and that, in the auditor's professional judgement, the auditor is independent and the auditor's objectivity is not compromised, or otherwise declare that the auditor has concerns that the auditor's objectivity and independence may be compromised and explaining the actions which necessarily follow from his. These matters should be discussed with the Audit Committee.

Ethical Standards require us to communicate to those charged with governance in writing at least annually all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place that, in our professional judgement, may reasonably be thought to bear on our independence and the objectivity of the Engagement Lead and the audit team.

General procedures to safeguard independence and objectivity

KPMG's reputation is built, in great part, upon the conduct of our professionals and their ability to deliver objective and independent advice and opinions. That integrity and objectivity underpins the work that KPMG performs and is important to the regulatory environments in which we operate. All partners and staff have an obligation to maintain the relevant level of required independence and to identify and evaluate circumstances and relationships that may impair that independence.

Appendix 4: Declaration of independence and objectivity (continued)

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.

Acting as an auditor places specific obligations on the firm, partners and staff in order to demonstrate the firm's required independence. KPMG's policies and procedures regarding independence matters are detailed in the *Ethics and Independence Manual* ('the Manual'). The Manual sets out the overriding principles and summarises the policies and regulations which all partners and staff must adhere to in the area of professional conduct and in dealings with clients and others.

KPMG is committed to ensuring that all partners and staff are aware of these principles. To facilitate this, a hard copy of the Manual is provided to everyone annually. The Manual is divided into two parts. Part 1 sets out KPMG's ethics and independence policies which partners and staff must observe both in relation to their personal dealings and in relation to the professional services they provide. Part 2 of the Manual summarises the key risk management policies which partners and staff are required to follow when providing such services.

All partners and staff must understand the personal responsibilities they have towards complying with the policies outlined in the Manual and follow them at all times. To acknowledge understanding of and adherence to the policies set out in the Manual, all partners and staff are required to submit an annual ethics and independence confirmation. Failure to follow these policies can result in disciplinary action.

Auditor declaration

In relation to the audit of the financial statements of Blackpool Council for the financial year ending 31 March 2015, we confirm that there were no relationships between KPMG LLP and Blackpool Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

Appendix 5: Materiality and reporting of audit differences

For 2014/15 our materiality is £10.7 million for the Authority's accounts.

We have reported all audit differences over £0.535 million for the Authority's accounts to the Audit Committee.

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Materiality

The assessment of what is material is a matter of professional judgment and includes consideration of three aspects: materiality by value, nature and context.

- Material errors by value are those which are simply of significant numerical size to distort the reader's perception of the financial statements. Our assessment of the threshold for this depends upon the size of key figures in the financial statements, as well as other factors such as the level of public interest in the financial statements.
- Errors which are material by nature may not be large in value, but may concern accounting disclosures of key importance and sensitivity, for example the salaries of senior staff.
- Errors that are material by context are those that would alter key figures in the financial statements from one result to another – for example, errors that change successful performance against a target to failure.

We used the same planning materiality reported in our External Audit Plan 2014/15, presented to you in January 2015

Materiality for the Authority's accounts was set at £10.7 million which equates to around 2.7% percent of gross expenditure. We design our procedures to detect errors in specific accounts at a lower level of precision.

Reporting to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any misstatements of lesser amounts to the extent that these are identified by our audit work.

Under ISA 260, we are obliged to report omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

ISA 450 requires us to request that uncorrected misstatements are corrected.

In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £535,000 million for the Authority.

Where management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.

Appendix 6: KPMG Audit Quality Framework

We continually focus on delivering a high quality audit.

This means building robust quality control procedures into the core audit process rather than bolting them on at the end, and embedding the right attitude and approaches into management and staff.

KPMG's Audit Quality Framework consists of seven key drivers combined with the commitment of each individual in KPMG.

The diagram summarises our approach and each level is expanded upon.

At KPMG we consider audit quality is not just about reaching the right opinion, but how we reach that opinion. KPMG views the outcome of a quality audit as the delivery of an appropriate and independent opinion in compliance with the auditing standards. It is about the processes, thought and integrity behind the audit report. This means, above all, being independent, compliant with our legal and professional requirements, and offering insight and impartial advice to you, our client.

KPMG's Audit Quality Framework consists of seven key drivers combined with the commitment of each individual in KPMG. We use our seven drivers of audit quality to articulate what audit quality means to KPMG.

We believe it is important to be transparent about the processes that sit behind a KPMG audit report, so you can have absolute confidence in us and in the quality of our audit.

Tone at the top: We make it clear that audit quality is part of our culture and values and therefore non-negotiable. Tone at the top is the umbrella that covers all the drives of quality through a focused and consistent voice. Trevor Rees as the Engagement Lead sets the tone on the audit and leads by example with a clearly articulated audit strategy and commits a significant proportion of his time throughout the audit directing and supporting the team.

Association with right clients: We undertake rigorous client and engagement acceptance and continuance procedures which are vital to the ability of KPMG to provide high-quality professional services to our clients.

Clear standards and robust audit tools: We expect our audit professionals to adhere to the clear standards we set and we provide a range of tools to support them in meeting these expectations. The global rollout of KPMG's eAudIT application has significantly enhanced existing audit functionality. eAudIT enables KPMG to deliver a highly technically enabled audit. All of our staff have a searchable data base, Accounting Research Online, that includes all published accounting standards, the KPMG Audit Manual Guidance as well as other relevant sector specific publications, such as the Audit Commission's *Code of Audit Practice*.

Recruitment, development and assignment of appropriately qualified personnel: One of the key drivers of audit quality is assigning professionals appropriate to the Authority's risks. We take great care to assign the right people to the right clients based on a number of factors including their skill set, capacity and relevant experience.

We have a well developed technical infrastructure across the firm that puts us in a strong position to deal with any emerging issues. This includes:

- A national public sector technical director who has responsibility for co-ordinating our response to emerging accounting issues, influencing accounting bodies (such as CIPFA) as well as acting as a sounding board for our auditors.

- A national technical network of public sector audit professionals is established that meets on a monthly basis and is chaired by our national technical director.

- All of our staff have a searchable data base, Accounting Research Online, that includes all published accounting standards, the KPMG Audit Manual Guidance as well as other relevant sector specific publications, such as the Audit Commission's *Code of Audit Practice*.

- A dedicated Department of Professional Practice comprised of over 100 staff that provide support to our audit teams and deliver our web-based quarterly technical training.

Appendix 6: KPMG Audit Quality Framework (continued)

We continually focus on delivering a high quality audit.

This means building robust quality control procedures into the core audit process rather than bolting them on at the end, and embedding the right attitude and approaches into management and staff.

Quality must build on the foundations of well trained staff and a robust methodology.

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Commitment to technical excellence and quality service delivery: Our professionals bring you up- the-minute and accurate technical solutions and together with our specialists are capable of solving complex audit issues and delivering valued insights.

Our audit team draws upon specialist resources including Forensic, Corporate Finance, Transaction Services, Advisory, Taxation, Actuarial and IT. We promote technical excellence and quality service delivery through training and accreditation, developing business understanding and sector knowledge, investment in technical support, development of specialist networks and effective consultation processes.

Performance of effective and efficient audits: We understand that how an audit is conducted is as important as the final result. Our drivers of audit quality maximise the performance of the engagement team during the conduct of every audit. We expect our people to demonstrate certain key behaviors in the performance of effective and efficient audits. The key behaviors that our auditors apply throughout the audit process to deliver effective and efficient audits are outlined below:

- timely Engagement Lead and manager involvement;
- critical assessment of audit evidence;
- exercise of professional judgment and professional scepticism;
- ongoing mentoring and on the job coaching, supervision and review;
- appropriately supported and documented conclusions;
- if relevant, appropriate involvement of the Engagement Quality Control reviewer (EQC review);
- clear reporting of significant findings;
- insightful, open and honest two-way communication with those charged with governance; and
- client confidentiality, information security and data privacy.

Commitment to continuous improvement: We employ a broad range of mechanisms to monitor our performance, respond to feedback and understand our opportunities for improvement.

Our quality review results

Public Sector Audit Appointments Ltd publishes information on the quality of work provided by us (and all other firms) for audits undertaken on behalf of them (http://www.psaa.co.uk/audit-quality/principal-audits/kpmg-audit-quality/).

The latest Annual Regulatory Compliance and Quality Report (issued June 2014/2015) showed that we are meeting the overall audit quality and regulatory compliance requirements.

cutting through complexity

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Report to:	**Audit Committee**
Relevant Officer:	Tracy Greenhalgh, Chief Internal Auditor
Date of Decision/ Meeting	24 September 2015

STRATEGIC RISK REGISTER

1.0 Purpose of the report:

1.1 To consider the Council's revised Strategic Risk Register to the Audit Committee.

2.0 Recommendation(s):

2.1
- To approve the Council's Strategic Risk Register.
- To consider calling risk owners to future meetings to discuss progress against addressing each risk.

3.0 Reasons for recommendation(s):

3.1 Blackpool Council's Risk Management Framework 2014-2017 was agreed by CLT and Audit Committee in 2014. This sets out the roles and responsibilities of the Audit Committee and these include:

- Monitor the adequacy of the Council's risk management arrangements.
- Approve the strategic risk register developed by officers and consider progress reports on the risks included in it.
- Provide assurance on behalf of the Council about the extent to which risk management objectives are being met.
- Approve the Council's Risk Management Framework.

3.2a Is the recommendation contrary to a plan or strategy adopted or approved by the Council? No

3.2b Is the recommendation in accordance with the Council's approved budget? Yes

3.3 Other alternative options to be considered:
N/a

4.0 Council Priority:

4.1 The Strategic Risk Register covers all Council priorities including:

- Tackle child poverty, raise aspirations and improve educational achievement
- Safeguard and protect the most vulnerable
- Expand and promote our tourism, arts, heritage and cultural offer
- Improve health and well-being especially for the most disadvantaged
- Attract sustainable investment and create quality jobs
- Encourage responsible entrepreneurship for the benefit of our communities
- Improve housing standards and the environment we live in by using housing investment to create stable communities
- Create safer communities and reduce crime and anti-social behaviour
- Deliver quality services through a professional, well-rewarded and motivated workforce

5.0 Background Information

5.1 The Strategic Risk Register is reviewed and updated every six months by the Corporate Risk Management Group and the Corporate Leadership Team. It receives annual approval from the Audit Committee and Risk Owners are required to attend Audit Committee on a periodic basis to provide an update in terms of how each risk is being managed.

The Strategic Risk Register was last approved by the Corporate Leadership Team on the 13 October 2014 and it was decided at this meeting that a more in-depth review of the content and format should be undertaken. The Strategic Risk Register being presented to this meeting is the result of this review.

The Strategic Risk Register has now been split into two key documents:

- The first of these is the Strategic Risk Register Summary which provides an overview for the Corporate Leadership Team and Audit Committee in relation to the current risk categories, associated risks, nett risk score, the number of controls which need to be implemented to mitigate the risk and the CLT Lead.
- The second document is the detailed Strategic Risk Register which will be used by the Corporate Risk Management Group to ensure that actions are addressed and the summary sheet can be updated as appropriate.

Does the information submitted include any exempt information? No

List of Appendices:
Appendix 6a - Strategic Risk Register Summary
Appendix 6b - Detailed Strategic Risk Register

6.0 Legal considerations:

6.1 The Council needs to ensure that it effectively manages its risks to avoid the potential of legal challenge or prosecution.

7.0 Human Resources considerations:

7.1 The actions identified in the Strategic Risk Register will be delivered using existing staffing levels.

8.0 Equalities considerations:

8.1 N/a

9.0 Financial considerations:

9.1 Where possible risks will be managed within current budgets. Where it is not feasible to do so this will be escalated to the Corporate Risk Management Group and the Corporate Leadership Team where a decision will be made to accept the risk or identify additional funding to implement the required controls.

10.0 Risk management considerations:

10.1 The Strategic Risk Register is a key component of the Council's overall Risk Management Framework.

11.0 Ethical considerations:

11.1 N/a

12.0 Internal/ External Consultation undertaken:

12.1
- Meeting with the Corporate Leadership Team to discuss the format and content of the Strategic Risk Register – 25th March 2015
- Discussion with the Corporate Risk Management Group regarding format and content – 28th April 2015
- Draft Strategic Risk Register circulated to the Corporate Risk Management Group for comment – 5th May 2015
- Draft Strategic Risk Register circulated to the Corporate Leadership Team for comment – 20th May 2015
- Approved by CLT on the 30th June 2015

13.0 Background papers:

13.1 Risk Management Framework 2014 to 2017.

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Strategic Risk Register Summary and Monitoring Sheet

No	Risk	Sub No.	Sub-Risk	Nett Risk Score	Additional Mitigations to be Implemented	Target Risk Score	Risk accepted or further controls required?	CLT Risk Owner
1	**Lack of Resilience**	**1a**	Lack of individual resilience to work in a changing environment.	12	2	4		Deputy Chief Executive
		1b	Lack of capacity to deliver Council services.	16	1	4		Deputy Chief Executive
					3			Chief Executive
		1c	Over reliance on public sector services.	20	1	4		Chief Executive
2	**Service Failure**	**2a**	Failure of a service provider in high risk contracted areas such as social care and waste management.	16	1	4		Director of Resources
		2b	Loss of key infrastructure which results in Council services not being delivered such as ICT and property.	12	2	4		Director of Resources
					1			Deputy Chief Executive
					1			Chief Executive
		2c	Over reliance on income generation through the delivery of traded services.	12	1	4		Deputy Chief Executive
3	**Sustainability of the Council**	**3a**	Insufficient funding to deliver services.	16	1	4		Director of Resources
		3b	Services fail to operate within revised budgets.	16	1	4		Director of Resources
		3c	Further devolution of services and increased partnership working.	16	1	4		Director of Governance and Regulatory Services
		3d	Insufficient central government funding for Care Act reforms in addition to current constraints on cash limited budgets.	15	1	4		Director of People
4	**Failure the Keep People Safe**	**4a**	Death, serious injury or harm of a vulnerable adult / child.	15	1	4		Director of People
5	**Inadequate Change Management**	**5a**	Unpredictability of legal rulings requiring and unexpected change.	16	1	4		Director of Resource
		5b	Unfunded new burdens which the Council is required to deliver.	16	1	4		Chief Executive
6	**Reputational Damage**	**6a**	Ineffective measurement of the reputation of the Council and Blackpool.	12	1	4		Deputy Chief Executive
		6b	Negative image of Blackpool to residents	12	2	4		Deputy Chief Executive
		6c	Negative image of Blackpool to visitors.	12	1	4		Director of Place
7	**Ineffective Governance**	**7a**	Non-compliance with statutory requirements and internal procedures.	12	1	4		Director of Governance and Regulatory
					1			Deputy Chief Executive
		7b	Lack of effective risk management embedded across the Council.	12	2	4		Director of Resource
		7c	Increased risk of fraud.	15	3	4		Director of Resources
		7d	Data theft and leakage.	12	1	4		Deputy Chief Executive
8	**Unsustainable Local Economy / Increased Deprivation**	**8a**	Lack of affordable housing.	12	3	4		Director of Place
		8b	Increased deprivation and unemployment.	12	1	4		Director of Place
		8c	Lack of appropriate highways infrastructure.	12	1	4		Director of Community and Environment
9	**Inability to Respond to a Major Incident**	**9a**	Reduced capacity across the Council to respond to an emergency.	16	1	4		Chief Executive
					1			Director of Resource
					1			Director of Public Health
		9b	Disruption to community, services and businesses.	16	2	4		Director of Resource
		9c	Injury / death to members of the public or staff.	16	1	4		Director of People

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Detailed Strategic Risk Register

No	Risk	Sub No.	Sub-Risk	Impact / Consequences	Opportunity	Gross Risk Score I	L	GS	Controls and Mitigation	Net Risk Score I	L	NS	New / Developing Controls	Risk Manager	CLT Risk Owner	Reporting Corporate Risk Management Representative	Target Date	Corporate Priority
1	**Lack of Resilience**	**1a**	Lack of individual resilience to work in a changing environment.	Workplace stress.		4	4	16	Attracting external funding through partnership working. And contracts to create more sustainable services.	4	3	12	Corporate marketing support for new business and business development.	Head of Corporate Development. Engagement and Communication	Deputy Chief Executive	Annabel Southern	Ongoing	Deliver quality services
				Decreased staff morale.					A range of training courses in place to help build individual resilience skills.				Robust workforce planning.	Head of Organisation and Workforce Development	Deputy Chief Executive	Annabel Southern	Ongoing	
									Absence management procedures in place.									
									Audit undertaken to review resilience and governance given continuing staff reductions.									
		1b	Lack of capacity to deliver Council services.	Inability to deliver an effective service.	Employee commitment.	4	5	20	Development programmes implemented such as coaching, mentoring and aspiring managers programme.	4	4	16	Explore the potential of partnership working with, for example, health, to address issues with recruitment.	Head of Organisation and Workforce Development	Deputy Chief Executive	Annabel Southern	Ongoing	Deliver quality services
				Unable to recruit into difficult to recruit roles.	Change organisation form / increase joint working arrangements to deliver services with reduced resource.				Development programmes for specific areas of recruitment problems such as social care and teaching.				Effective people planning with a view to more generic roles to reduce the burden on key officers.	Deputy Chief Executive	Chief Executive	Annabel Southern	Ongoing	
				Loss of corporate memory.					Manage relationships with the Trade Unions in order to embrace employee change.				Transformation process to ensure that the Council becomes an agile organisation.	Deputy Chief Executive	Chief Executive	Annabel Southern	Ongoing	
													Deliver a programme of commissioning / service reviews to explore alternative delivery models.	Deputy Chief Executive	Chief Executive	Annabel Southern	Ongoing	
		1c	Over reliance on public sector services.	Unable to deliver core services / statutory duties to residents.	Build a more resilient community to reduce reliance on the public sector.	4	5	20		4	5	20	Development and implementation of Council Plan from 2015 onwards.	Deputy Chief Executive	Chief Executive	Annabel Southern	Ongoing	Improving health and wellbeing
2	**Service Failure**	**2a**	Failure of a service provider in high risk contracted areas such as social care and waste management.	Increased costs.		5	4	20	Procurement procedures in place which cover business continuity arrangements.	4	4	16	Ensure adequate business continuity plans are in place with service providers as part of the procurement and contract management process.	Head of Procurement and Development	Director of Resources	Val Watson	Ongoing	Deliver quality services
				Reputational damage to the Council.														
		2b	Loss of key infrastructure which results in Council services not being delivered such as ICT and Property.	Inability to deliver critical services.	Build a resilient organisation.	5	4	20	Business continuity programme in place.	4	3	12	Revise corporate business continuity plan and agree corporate priorities in the critical activity list with CLT.	Chief Internal Auditor	Director of Resources	Val Watson	October 2015	Deliver quality services
													Ensure all services have up to date business continuity plans in place.	Director of Resources	Chief Executive	Val Watson	Ongoing	
													Develop a corporate / thematic business continuity plan for property.	Head of Property and Asset Management	Director of Resources	Paul Jones	March 2016	
													Keep the corporate / business continuity plan for ICT up to date.	Head of ICT Services	Deputy Chief Executive	Annabel Southern	March 2016	

Detailed Strategic Risk Register

No	Risk	Sub No.	Sub-Risk	Impact / Consequences	Opportunity	Gross Risk Score I	Gross Risk Score L	Gross Risk Score GS	Controls and Mitigation	Net Risk Score I	Net Risk Score L	Net Risk Score NS	New / Developing Controls	Risk Manager	CLT Risk Owner	Reporting Corporate Risk Management Representative	Target Date	Corporate Priority
		2c	Over reliance on income generation through the delivery of traded services.	Dilution of the effectiveness of internal service provision.	Ability to recruit staff based on the funding received from income generation.	5	4	20	Business cases in place for trading services.	4	3	12	Implementation of a robust performance management framework to ensure adequacy of internal service provision.	Head of Corporate Development, Engagement and Communication	Deputy Chief Executive	Annabel Southern	March 2016	Deliver quality services
3	**Sustainability of the Council**	**3a**	Insufficient funding to deliver services.	Erosion of reserves.	Income generation opportunities.	5	5	25	Downsizing of the Council to meet budget constraints. Priority led budgeting process. Medium term financial strategy in place.	4	4	16	Ongoing financial modelling to assess the impact of funding cuts.	Chief Accountant	Director of Resources	Val Watson	Ongoing	Deliver quality services
		3b	Services fail to operate within revised budgets.	Unplanned overspends.		5	5	25	Monthly financial monitoring including achievement of saving targets.	4	4	16	Robust reporting of recovery plans to Audit Committee.	Chief Accountant	Director of Resources	Val Watson	Ongoing	Deliver quality services
		3c	Further devolution of services and increased partnership working.	Increased financial risk.		5	4	20	Effective relationships with partners / external agencies.	4	4	16	Ensure robust governance arrangements are in place for new working arrangements.	Head of Demographic Governance	Director of Governance and Regulatory Services	Val Watson	Ongoing	Deliver quality services
		3d	Insufficient central government funding for Care Act reforms in addition to current constraints on cash limited budgets.	Council unable to balance budget. Council unable to meet statutory duties and deliver reforms.	Consider options for shared services and opportunities for flexible use of new funding streams.	5	4	20	Robust budgetary control mechanisms. Member led priority based budgeting and financial planning.	5	3	15	Participate in financial modelling exercises to challenge government assumptions and support lobbying for resource.	Deputy Director of Adult Services	Director of People	Hilary Shaw	Dec-15	Safeguarding and Protecting
4	**Failure to Keep People Safe**	**4a**	Death, serious injury or harm of a vulnerable adult / child.	Inspection failure (Ofsted / CCQ). Trauma for family of the victim. Potential criminal charges for staff involved. Significant liability claim received.		5	5	25	Safeguarding processes and procedures. Training and professional development. Contract monitoring. Risk assessments.	5	3	15	Review all safeguarding procedures and constant auditing.	Deputy Director of Adult Services / Deputy Director of Children's Services	Director of People	Hilary Shaw	Ongoing	Safeguarding and Protecting

Updated 1st May 2015

Detailed Strategic Risk Register

No	Risk	Sub No.	Sub-Risk	Impact / Consequences	Opportunity	Gross Risk Score I	Gross Risk Score L	Gross Risk Score GS	Controls and Mitigation	Net Risk Score I	Net Risk Score L	Net Risk Score NS	New / Developing Controls	Risk Manager	CLT Risk Owner	Reporting Corporate Risk Management Representative	Target Date	Corporate Priority
5	**Inadequate Change Management**	**5a**	Unpredictability of legal rulings requiring an unexpected change.	Inability to effectively adapt to the required change.		5	4	20	Anticipation work to assess potential impacts. Use of court appeals process when appropriate to do so.	4	4	16	Oversight of legal rulings which may have an impact on the Council.	Chief Corporate Solicitor	Director of Resources	Val Watson	Ongoing	Deliver quality services
		5b	Unfunded new burdens which the Council is required to deliver.	Increased financial obligations. Policy decisions create expectations for residents.		5	4	20	Analysis of pervious patterns and trends.	4	4	16	Policy research to identify and communicate potential trends.	Deputy Chief Executive	Chief Executive	Annabel Southern	Ongoing	Deliver quality services
6	**Reputational Damage**	**6a**	Ineffective measurement of the reputation of the Council and Blackpool.	Perception of poor reputation is not quantified / supported.	Rebuilding reputation can suggest a high achieving organisation and generate momentum.	4	4	16	Daily summary of media interest in Blackpool circulated.	4	3	12	Undertake and feedback on the outcomes of resident satisfaction surveys to help inform the development of the Council plan.	Head of Corporate Development, Communication and Engagement	Deputy Chief Executive	Annabel Southern	September 2015	Deliver quality services
		6b	Residents negative image of Blackpool.	Lack of investment due to poor image of Blackpool.	Potential to attract external investment to Blackpool.	4	4	16	Different methods of engagement used such as the Council Couch.	4	3	12	Implement corporate framework for engagement supported by an engagement toolkit.	Head of Corporate Development, Communication and Engagement	Deputy Chief Executive	Annabel Southern	March 2016	Attracting suitable investment
				Lack of partner engagement. Loss of community support.	Generate local pride in Blackpool.				Increased use of new communication channels such as social media and newsletters. Increased commitment to one brand for the Blackpool resident.				Implementation of the Corporate Branding toolkit.	Head of Corporate Development, Communication and Engagement	Deputy Chief Executive	Annabel Southern	March 2016	
		6c	Vistitors negative image of Blackpool.	Local economy impacted due to reduced jobs. Inability to underwrite tourism initiatives due to reduced resources.		4	4	16	Identification of potential external funding streams to assist with the tourism offer for Blackpool.	4	3	12	Promote a positive image of Blackpool to encourage private sector investment in the tourism industry.	Head of Visitor Economy	Director of Place	Philip Welsh	Ongoing	Expanding and promoting tourism, arts, heritage and cultural offer

Detailed Strategic Risk Register

No	Risk	Sub No.	Sub-Risk	Impact / Consequences	Opportunity	Gross Risk Score I	Gross Risk Score L	Gross Risk Score GS	Controls and Mitigation	Net Risk Score I	Net Risk Score L	Net Risk Score NS	New / Developing Controls	Risk Manager	CLT Risk Owner	Reporting Corporate Risk Management Representative	Target Date	Corporate Priority
7	**Ineffective Governance**	**7a**	Non-compliance with statutory requirements and internal procedures.	External challenge.		4	5	20	Statutory legal and financial officers in place.	3	4	12	Raise awareness of standards / required and awareness of the consequence of failure.	Head of Demographic Governance	Director of Governance and Regulatory Services	Val Watson	Ongoing	Deliver quality services
				Quality of service compromised.					Policy team research / proactive consultation response.				Consistent use of disciplinary / capability procedures across the Council for serious instances on non-compliance.	Head of Organisation and Workforce Development	Deputy Chief Executive	Annabel Southern	Ongoing	
				Health and safety compromised.					Assurance mechanisms such as internal audit, external audit, peer review and external assessments.									
									Constitution and Financial Regulations in place.									
									Disciplinary procedures in place.									
									Health and safety procedures in place.									
		7b	Lack of effective risk management embedded across the Council.	Ineffective decision making.	Potential to make savings through effectively managing risks.	5	4	20	Risk management framework and toolkit in place.	4	3	12	Increased accountability and challenge of the strategic risk register to ensure appropriate action is being taken to reduce risks.	Chief Internal Auditor	Director of Resources	Val Watson	September 2015	Deliver quality services
				Increased insurance claims.					Service and strategic level risk registers in place.				Revisit each risk management group to ensure that it is working effectively and following the requirements of the risk management framework.	Chief Internal Auditor	Director of Resources	Val Watson	March 2016	
									Departmental and thematic risk management groups in place.									
									Risk management consider as part of decision making process.									
		7c	Increased risk of fraud.	Erosion of internal controls and less resource to tackle fraud.	Increased use of Proceeds of Crime Act.	5	4	20	Anti-fraud and corruption policy in place.	5	3	15	Focus on high risk areas of fraud such as insurance fraud.	Chief Internal Auditor	Director of Resources	Val Watson	March 2016	Deliver quality services
									Participation in the National Fraud Initiative.				Embed process for investigating Council Tax Reduction Scheme Fraud.	Chief Internal Auditor	Director of Resources	Val Watson	September 2015	
									Annual internal audit plan in place.				Increase fraud awareness training Council wide.	Chief Internal Auditor	Director of Resources	Val Watson	March 2016	
		7d	Data theft and leakage.	Significant fines from the Information Commissioner.	The serious nature of the risk and its consequences will encourage departments to work with ICT to implement robust processes.	4	5	20	Working with services to undertake risk assessments against the Information Asset Register to identify opportunities to identify areas where effort must be focused to reduce the likelihood of a data breach.	4	3	12	Ensure documents and equipment are disposed of appropriately as part of the programme of office moves.	Head of ICT Services	Deputy Chief Executive	Ian Ridsdale	Ongoing	Deliver quality services
				Reputation damage to the Council.					Mandatory ICT Security Training.									
				Intrusion into personal data which should not have been shared.														

Detailed Strategic Risk Register

No	Risk	Sub No.	Sub-Risk	Impact / Consequences	Opportunity	Gross Risk Score			Controls and Mitigation	Net Risk Score			New / Developing Controls	Risk Manager	CLT Risk Owner	Reporting Corporate Risk Management Representative	Target Date	Corporate Priority
						I	L	GS		I	L	NS						
8	**Unsustainable Local Economy / Increased Deprivation.**	**8b**	Lack of affordable housing.	Negative impact on local economy.	Key in the regeneration of Blackpool.	4	4	16	ALMO Stock.	4	3	12	Embed the new Housing Regeneration Company to help transform private sector housing.	Head of Strategic Housing	Director of Place	Philp Welsh	September 2015	Improve housing standards
				Potential criminal activities.	Revitalise areas in the town.				Regulation of private sector / link with RSLs.				Complete the build of the provision of 400 new family homes on the Rigby Road site.	Head of Strategic Housing	Director of Place	Philp Welsh	Ongoing	
				Inability to regenerate Blackpool.					Expansion of affordable housing programme.				Continue with the refurbishment of 400 homes under the Decent Homes initiative.	Head of Strategic Housing	Director of Place	Philp Welsh	Ongoing	
		8b	Increased deprivation and unemployment.	Dependency on Council services.		4	4	16	Introduction of living wage for Council staff and promoting this with contractors.	4	3	12	Delivery of actions in the Local Economy Action Plan.	Head of Economic Development	Director of Place	Philip Welsh	Ongoing	Encouraging responsible entrepreneurship
									Commitment to use local suppliers where possible.				Completion of the Central Business District Project.	Head of Property and Asset Management	Director of Resource	Paul Jones	Ongoing	
		8c	Lack of appropriate transport infrastructure.	Loss of trade, reputation and confidence from residents.		4	4	16	Highways Asset Management Plan in place.	4	3	12	Appropriate work undertaken to maintain the condition of the highways infrastructure.	Highways Lead Officer	Director of Community and Environment	John Hawkin	Ongoing	Deliver quality services
				Potential public enquiry if the incident was not dealt with effectively.									Establish a control centre at Bickerstaffe House for dealing with a major incident.	Chief Internal Auditor / Head of Property and Asset Management	Director of Resources	Val Watson	September 2015	
													Arrangements need to be agreed and implemented for public health incidents such as Pandemic or Infectious Outbreaks. A decision needs to be taken as to whether this is a separate plan or whether a section is included in all business continuity plans.	Public Health Practitioner / Chief Internal Auditor	Director of Public Health	Denise Jackson	Dec-15	
		9b	Disruption to community, services and businesses.	Loss of community cohesion and potential reputational damage.		5	4	20	Planning for potential incidents through the Lancashire Resilience Forum.	4	4	16	Undertake an exercise on dealing with a major incident in Blackpool and establish what additional controls need to be put in place based on lessons learned.	Chief Internal Auditor	Director of Resources	Val Watson	October 2015	Safeguarding and protecting
									Community risk register in place.				Roll-out a training programme for those involved in providing a tactical response in a major incident.	Chief Internal Auditor	Director of Resources	Val Watson	March 2016	
		9c	Injury / death to members of the public or staff.	Trauma faced by families and work colleagues.		5	4	20	Emergency response group in place to provide humanitarian support in a major emergency.	4	4	16	Increase the number of volunteers on the emergency response group and attend the Lancashire Resilience Forum Humanitarian Assistance Group.	Deputy Director Adult Services	Director of People	Hilary Shaw	Ongoing	Safeguarding and protecting

Updated 1st May 2015

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Report to:	**Audit Committee**
Relevant Officer:	Tracy Greenhalgh – Chief Internal Auditor
Date of Meeting	24 September 2015

COUNCIL TAX REDUCTION SCHEME – PROSECUTION POLICY

1.0 Purpose of the report:

1.1 This policy sets out the Council's approach with regards to sanctions and prosecutions for Council Tax Reduction fraud.

2.0 Recommendation(s):

2.1 To consider and approve the Council Tax Reduction Scheme Prosecution Policy.

3.0 Reasons for recommendation(s):

3.1 To ensure a consistent approach for dealing with Council Tax Reduction fraud.

3.2a Is the recommendation contrary to a plan or strategy adopted or approved by the Council? No

3.2b Is the recommendation in accordance with the Council's approved budget? Yes

3.3 Other alternative options to be considered:

N/a

4.0 Council Priority:

4.1 The relevant Council Priority is "Create safer communities and reduce crime and anti-social behaviour".

5.0 Background Information

5.1 Blackpool Council is committed to protecting the public funds it administers through the investigation of suspected fraudulent claims for Council Tax Reduction (CTR) by having a clear policy framework with regards to sanctions and prosecutions.

Council Tax Reduction is not classed as a welfare benefit and guidance for the administration of this new scheme is published by the Department for Communities and Local Government.

This policy outlines the approach to be followed with regard to the sanctions and prosecution of Council Tax Reduction offences and considerations to be taken into account concerning the appropriateness of the following courses of action:

- Penalty as alternative to prosecution - Regulation 11 of the Council Tax Reduction Scheme (Detection of Fraud and Enforcement) (England) Regulations 2013
- Legal proceedings

Recovery of overpayments will be sought in all cases.

The Council's previous Sanctions and Prosecution Policy, which was approved by CLT and Audit Committee in 2013, will be superseded by this revised version. The updated policy no longer refers to housing and council benefit fraud given that the responsibility for investigating these matters now sits with the Department for Work and Pensions.

Does the information submitted include any exempt information? No

List of Appendices:
Appendix 7a -Council Tax Reduction Scheme Sanctions and Prosecutions Policy.

6.0 Legal considerations:

6.1 Due consideration has been given to the Council Tax Reduction Scheme (Detection of Fraud and Enforcement) (England) Regulations 2013 in the development of this policy to ensure that the Council complies with these requirements.

7.0 Human Resources considerations:

7.1 The investigation of suspected cases will be undertaken by the Corporate Fraud Team which forms part of Risk Services.

8.0 Equalities considerations:

8.1 The Council sanctions and prosecution processes will not discriminate for or against any individual according to gender, race, sexuality, gender identity, age, disability or belief.

9.0 Financial considerations:

9.1 The Council has a responsibility to protect public funds and the implementation of this policy ensures that this is achieved whilst also asking as a deterrent to potential offenders.

10.0 Risk management considerations:

10.1 The Council's fraud risks are assessed on an annual basis and Council Tax Reduction is one of the key risk areas identified.

11.0 Ethical considerations:

11.1 N/a

12.0 Internal/ External Consultation undertaken:

12.1 Consultation has been undertaken with Legal Services and Revenues and Benefits and any comments received have been incorporated into this policy. The policy was approved by CLT on the 23 June 2015.

13.0 Background papers:

13.1 N/a

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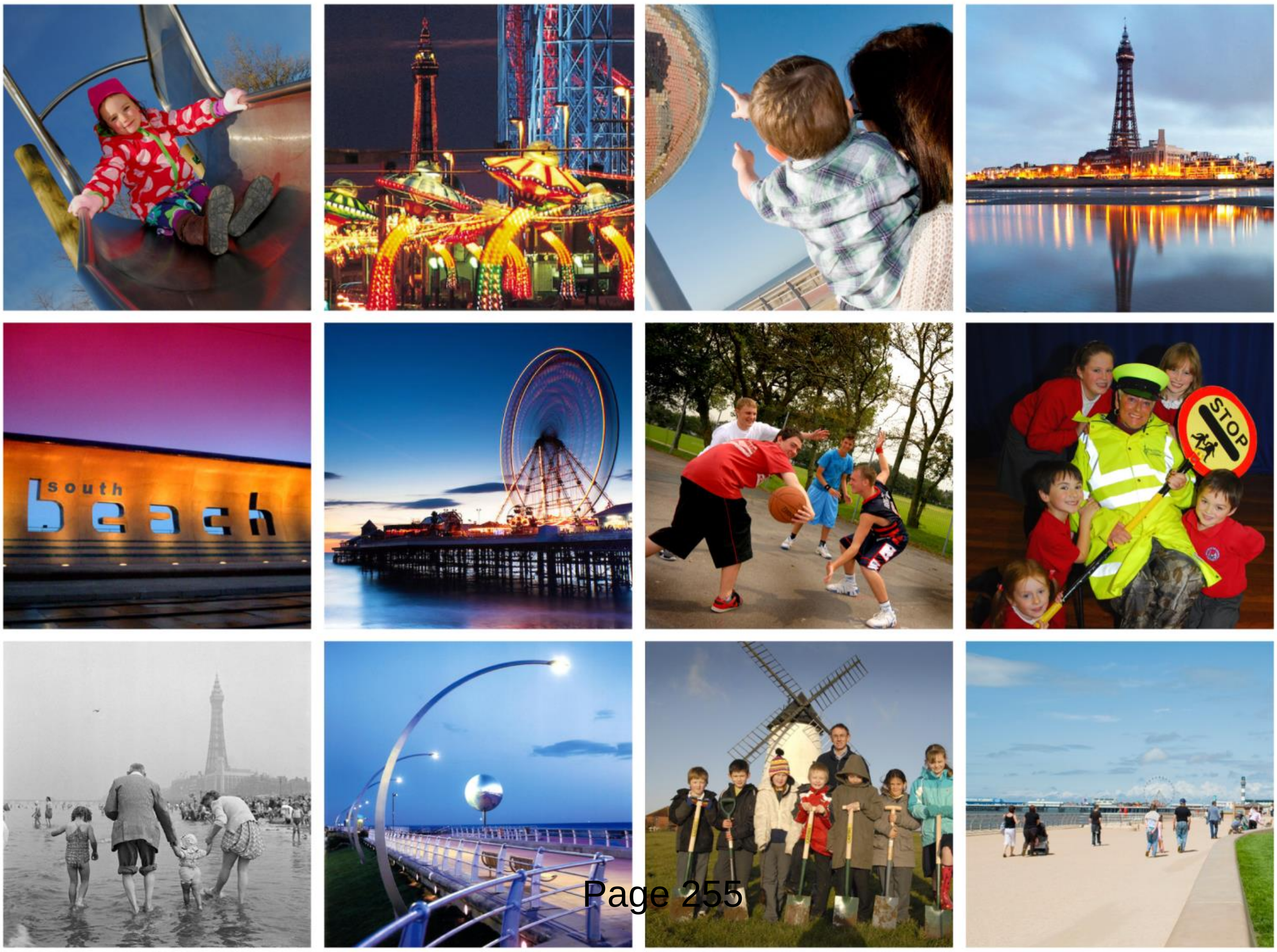
Council Tax Reduction Scheme

Sanctions and Prosecution Policy

Blackpool Council



Sanctions and Prosecution Policy

Background

Blackpool Council is committed to protecting the public funds it administers through the investigation of suspected fraudulent claims for Council Tax Reduction (CTR) by having a clear policy framework with regards to sanctions and prosecutions.

Council Tax Reduction is not classed as a welfare benefit and guidance for the administration of this new scheme is published by the Department for Communities and Local Government.

Policy Overview

This policy outlines the approach to be followed with regard to the sanctions and prosecution of Council Tax Reduction offences and considerations to be taken into account concerning the appropriateness of the following courses of action:

- Penalty as alternative to prosecution - Regulation 11 of the Council Tax Reduction Scheme (Detection of Fraud and Enforcement) (England) Regulations 2013
- Legal proceedings

Recovery of overpayments will be sought in all cases.

What is Council Tax Reduction fraud?

For the purposes of this policy fraud is perceived to be:

- Knowingly or dishonestly making a false statement or representation with intent to gaining a financial advantage through council tax reduction, or,
- Knowingly or dishonestly failing to give prompt notice of a change of circumstances, with intent to gaining a financial advantage through council tax reduction.

For the purposes of this policy corruption is perceived to be:

- The soliciting or accepting of an inducement or reward that may influence the action of a person, or,
- Causing or allowing someone to produce false documents/information or causing or allowing someone in failing to notify a change with intent to gaining a financial advantage through Council Tax Reduction.

Aims and Objectives

In all cases of fraud, Local Authorities are expected to actively consider applying a sanction or prosecution.

In making the decision as to whether to apply a sanction or prosecution, the appropriate officers shall in each case be fair and consistent and consider each case on its own merits, taking into account the evidence available.

When considering whether it is appropriate to instigate proceedings the Council's Corporate Fraud Officer will consider firstly if there is sufficient admissible evidence to provide a realistic prospect of conviction.

The following factors are to be considered:

- The availability of any claim forms that have been submitted without disclosure of material fact;
- Whether the parties involved have been given adequate opportunity to advise of the relevant details;
- The period of fraud;
- Statements and evidence provided by the parties involved during the period of the investigation, including any voluntary disclosures; and
- Availability of other reliable evidence.

It should be noted that voluntary disclosure only occurs when a claimant, of his or her own free will, reveals a fraud of which the Council were previously unaware. Disclosure will not be deemed voluntary when, for example the issue of a benefit review form or information obtained during normal verification procedures have solicited or prompted the disclosure in some way.

The Corporate Fraud Officer will consider if prosecution is in the public interest, taking into consideration the following factors. Not all the factors will apply to each case and there is no obligation to restrict consideration to the factors listed:

- The seriousness of the offence;
- Whether the offence is planned or systematic;
- Whether more than one person involved;
- Previous history and likelihood of recurring conduct;
- The fact that the fraud is widespread and/or prevalent;
- Age, physical and mental health of the parties' involved (official written confirmation of the relevant details may be sought from an appropriate medical professional);
- Social factors for example the officer may take the view that the suspect may have committed the alleged fraud because of a stressful domestic situation. In most such cases the prosecution is likely to go ahead and any factors such as these may be put to the court for consideration;
- The fact that details may become part of the public domain, which may harm sources of information;
- Obstruction / lack of co-operation with the investigation;
- Persistent offender;
- Where the customer has failed to attend an interview to give their account of the facts;
- The period of the offence;
- The amount of Council Tax Reduction overpaid during the period of the offence;
- Where the alleged offender has refused an official Penalty;
- Where a person involved in the fraud was in a position of trust, for example a member of staff;
- Where the prosecution may have a significant deterrent effect; and
- Whether there have been any failings in the Council Tax Reduction administration processes that can be attributed to official error, this also includes unreasonable delays.

Note: The level of overpayment is not the sole determining factor and there may be other factors that would still make prosecution appropriate.

Penalties as an alternative to prosecution

From the 1 April 2013 Regulation 11 of the Council Tax Reduction Scheme (Detection of Fraud and Enforcement) (England) Regulations 2013, introduced penalties as an alternative to prosecution.

A Council Tax Reduction penalty is intended to be a meaningful deterrent and can only be considered where there is sufficient evidence to justify instituting criminal proceedings. A person who agrees to pay a penalty may withdraw the agreement within 14 days by notifying the billing authority.

A Council Tax Reduction penalty is the offer to a person to pay a financial penalty. The amount of the penalty is to be 50% of the amount of the excess reduction, subject to:

- A minimum amount of £100; and
- A maximum amount of £1,000.

The decision to offer a Council Tax Reduction penalty will be made by the Chief Internal Auditor after consultation with the Corporate Fraud Officer.

A separate Council Tax Reduction penalty interview will be undertaken by a member of the Corporate Fraud

Team provided they have not dealt with any part of the investigation in relation to the case.

If a person declines or withdraws acceptance of a Council Tax Reduction penalty legal proceedings will be considered in all cases.

Cases where criminal proceedings may be appropriate

Whilst cases in which the calculated overpayment is £2,000 or over will be likely to lead to prosecution as a first option, cases where the overpayment is below £2,000 may still lead to prosecution as a first option. In both circumstances the cases will be considered on their individual factors.

The Corporate Fraud Officer will submit the case to the Chief Internal Auditor who will decide which further action is appropriate or whether to close the case. The Chief Internal Auditor will have regard to this policy.

The decision to recommend prosecution will be made by the Chief Internal Auditor. This person should be satisfied that the investigation has been undertaken in an appropriate manner and that any decisions to offer a sanction takes into account the public interest test.

Cases that are deemed suitable for prosecution will be referred to the Council's Legal Services or the Crown Prosecution Service as appropriate who will consider and review the recommendation to prosecute in accordance with the criteria set down in the Code of Conduct for Crown Prosecutions.

Equalities Statement

The Council's Corporate Fraud Officer will always act with respect to pertinent legislation and without prejudice when executing the Council's procedures and policies.

The Corporate Fraud Officer will ensure that all suspects of fraud will receive clear and understandable correspondence making them aware of their legal rights and informing them of all the possible outcomes to an investigation.

The Council sanctions and prosecution processes will not discriminate for or against any individual according to gender, race, sexuality, gender identity, age, disability or belief.

Publicity

Press releases will be issued in suitable cases where a conviction has been obtained to seek to maximize the deterrent effect and raise the level of public fraud awareness.

Consideration will be given to the amounts involved, the nature of the offence, the public interest and deterrent value of publicising a particular case.

Review of policy

This Sanctions and Prosecution Policy will be reviewed by the Chief Internal Auditor, Revenues and Benefits Team and Legal Services in the light of any legislative changes, trends or other factors that impact on the effectiveness of the policy. As a minimum the policy will be reviewed at least every three years.

Summary

The Council will seek to deter those committing offences by imposing a Penalty, or by prosecuting in all appropriate cases.

The criteria that have been established are designed to ensure that the appropriate cases are brought to court, the appropriate sanctions are applied and the Council acts in a positive way to actively seek out and deter fraudsters and those seeking to gain an improper advantage of the system.

Sanctions and Prosecution Policy

Document Control

Document owner:	Chief Internal Auditor
Document number:	Version 2
Document category:	Policy
Document location:	The Hub
Issued by:	Chief Internal Auditor
Last edited:	June 2015

Approved By:

Title	Date
Corporate Leadership Team	23rd June 2015
Audit Committee	24th September 2015

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Report to:	Audit Committee
Relevant Officer:	Tracy Greenhalgh – Chief Internal Auditor
Date of Meeting	24 September 2015

PUBLIC SECTOR INTERNAL AUDIT STANDARDS

1.0 Purpose of the report:

1.1 The Public Sector Internal Audit Standards (PSIAS) require that an external assessment of an organisation's internal audit function is carried out once every five years by a qualified, independent assessor or assessment team. External assessments can be in the form of a full external assessment, or a self-assessment with independent external validation.

The purpose of this report is to seek approval for the method by which the external assessment will be undertaken at the Council.

2.0 Recommendation(s):

2.1 To approve that Blackpool Council participate in the peer review process developed by the North West Chief Audit Executives Group (NWCAE) which will address the requirement of a self-assessment with independent external validation.

3.0 Reasons for recommendation(s):

3.1 The Council has obtained quotations from a number of external providers who could undertake the external assessment; however quotations received are in the region of £9-11k.

Participating in the peer review process would incur no direct costs. However, there would be a time commitment for the Chief Internal Auditor to become a reviewer or moderator for another authority. It will be for the North West Chief Audit Executives Group to ensure that the time burden is evenly spread with each participating authority taking its share. Twenty-two local authorities, including Blackpool Council, have expressed an interest in being involved in the peer review.

3.2a Is the recommendation contrary to a plan or strategy adopted or approved by the Council? — No

3.2b Is the recommendation in accordance with the Council's approved budget? — Yes

3.3 Other alternative options to be considered:

N/a

4.0 Council Priority:

4.1 The relevant Council priority is 'Deliver quality services through a professional, well-rewarded and motivated workforce'.

5.0 Background Information

5.1 The Chief Internal Auditor has undertaken a self-assessment against the Public Sector Internal Audit Standards in conjunction with the internal audit team and is now in a position for an external assessment to take place. It is considered that a validation of the self-assessment by an external body would be the most efficient and cost effective use of resources.

The North West Chief Audit Executives Group Peer Review process will involve a pre-review element where the self-assessment and supporting documentation will be reviewed by the peer review team. In addition, a questionnaire will be issued to key stakeholders at the Council to obtain feedback.

An on-site review will then take place and the Council will be assessed against four key themes of purpose and positioning, structure and resources, audit execution and impact.

A report will then be issued which states whether the internal audit team conforms, partially conforms or does not conform to the standards. This report will be presented to the Audit Committee and will form part of the internal audit team's Quality Assurance and Improvement Programme.

The Chief Internal Auditor is satisfied that the other organisations involved in the peer review have the appropriate qualifications and independence to undertake the review and that they have a knowledge of local government.

Does the information submitted include any exempt information? No

List of Appendices:
N/a

6.0 Legal considerations:

6.1 The Accounts and Audit (England) Regulations 2011 state that *'A relevant body must undertake an adequate and effective internal audit of its accounting records and of* *its system of internal control in accordance with the proper practices in relation to internal control.'*

Section 151 of the Local Government Act 1972 states that every local authority in England and Wales should *'make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs'.* CIPFA has defined *'proper administration'* in that it should include *'compliance with the statutory requirements for accounting and internal audit'*.

7.0 Human Resources considerations:

7.1 The resources required for the review will be met from the existing resources in the Internal Audit Team. However, it needs to be recognised that the Chief Internal Auditor may be away from the office when undertaking peer reviews elsewhere as part of the arrangement.

8.0 Equalities considerations:

8.1 N/a

9.0 Financial considerations:

9.1 There will be no direct costs associated with the peer review process.

10.0 Risk management considerations:

10.1 The external review will ensure that the internal audit service is effectively delivering a risk based audit service.

11.0 Ethical considerations:

11.1 N/a

12.0 Internal/ External Consultation undertaken:

12.1 The Director of Resources / Section 151 Officer has been briefed.

13.0 Background papers:

13.1 CIPFA Local Government Application Note for the UK Public Sector Internal Audit Standards.

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